Resource Manual

National High School Competition 2022

Bank of Namibia

UNDERGRADUATE BURSARIES SCHEME 2023

Bank of Namibia

Apply for an Undergraduate Bursary

In line with its commitment towards capacity development and fulfillment of its corporate social responsibility, the Bank of Namibia is proud to avail bursaries to Namibians who intend to pursue undergraduate studies at recognized universities in Namibia and other countries within the SADC region.

- Economics
- Econometrics
- Actuarial Science
- Accounting/Chartered Accountancy/ Forensic Accounting
- Information Technology
- Education: mathematics, Accounting & Science

Deserving Students complying with the following criteria may apply:

- Namibian Citizenship
- Current Grade 12 learners with an average C-symbol or better in the latest August results;
- Learners who have successfully completed Grade 12 with an average C-symbol or better

Please note that the awards of bursaries for those currently in Grade 12 will depend on final examination results.

No application form are available. Applicants should apply through the online undergraduate bursary portal on the Bank of Namibia's website (https://www.bon.com.na), under the section: **Online Services and Bursaries**. All relevant documents such as CV and certified copies of your latest examination results must be attached where possible.

ENQUIRIES:

For enquiries, please contact Ms. Leena Elago at tel; +264 61 283 5034; or email: leena.Elago@bon.com.na

THE CLOSING DATE FOR APPLICATIONS IS 30 SEPTEMBER 2022

Only shortlisted candidates will be contacted and no documents will be returned.

Bank of Namibia
National High School Competition
2022

This resource manual consists of information extracted from the following documents:

6. Learners are expected to study the chapters listed below of the school handbook Starting Economics by G.F. Stanlake (not in this resource manual):
   Chapter 1 – An introduction to economics
   Chapter 3 – Economic Systems – how economic resources are allocated
   Chapter 6 – Productivity and the cost of production
   Chapter 8 – Prices and Markets
   Chapter 9 – Elasticity of demand and elasticity of supply
   Chapter 14 – Money and Banking
   Chapter 15 – Business Finance
   Chapter 16 - Incomes
   Chapter 19 – Balance of payments and the rate of exchange
   Chapter 21 – Inflation
   Chapter 24 – Economic Growth

Teachers may also make use of the Namcol Modules 1 – 3 for Grade 11 & 12 (old curriculum) as well as the Namcol Ordinary Level Economics for Grade 10 - 11 (new curriculum) to prepare learners as an additional resource (not in this resource manual).

The Bank of Namibia National High School Competition is endorsed by the Ministry of Education in Namibia. For any enquiries, please call the Bank of Namibia or the Regional Education Director's Office.

For further information or enquiries, please contact the Strategic Communications & Financial Sector Development Department at tel: (061) 283 5114, or email: info@bon.com.na

National High School Competition 2022

Participate in the Bank of Namibia National High School Competition and walk away with massive prizes for you and your school!

All secondary schools registered with the Ministry of Education in Namibia, may participate in the Bank of Namibia National High School Competition 2022.

Schools that are interested in participating in the competition should register online by visiting the Bank of Namibia's website at www.bon.com.na before 30 June 2022. Alternatively, schools which do not have internet access should contact the regional liaison person at the respective regional education offices.

HOW DO I PREPARE?

The Bank has compiled the relevant learning materials focused on the basic principals of economics. The materials consist of relevant chapters from the latest Bank of Namibia Annual Report, extracts from the Bank's 20th Anniversary book, Relevant chapters from the prescribed Economic textbook, Relevant Chapters from the NDGA Annual Report, the NPS Vision 2021-2025 and Financial Literacy Initiative materials. The manual can be found on the Bank of Namibia's website: www.bon.com.na for downloading. Alternatively, the Manual will also be distributed to the schools that have registered.

GENERAL COMPETITION INFORMATION:

All secondary schools registered with the Ministry of Education may register to take part in the Bank of Namibia National High School Competition 2022.

All learners from Grades 8 to Grade 12 may participate. The deadline for intention to participate in the regional competition is 30 June 2022.

The regional competition will take place during July & August 2022 (exact dates will be communicated in due course).

The national competition will take place in September 2022 (exact dates will be communicated in due course). Each learner participating in the national competition will receive a prestigious certificate of participation.

COMPETITION FORMAT REGIONAL COMPETITION:

- Learners will form four-member teams that will gather at the selected venue together with their teacher.
- Teams will wait in a holding area whilst the competition is in progress.
- During the regional phase of the competition, only one team together with their teacher will be allowed to enter the questioning area to appear before judges and they will be required to answer a set of 10 questions orally within 30 seconds per question.
- Learners may work together within their teams to derive at the correct answer, but only one team captain may respond or present the answer to the judges.
- Points will be given for the number of questions answered correctly within the time limits.
- After questioning time, the learners will be kept in a separate holding area where they are not allowed to come into contact with learners that have not been questioned yet.
- The next team will then enter, and the same process will be continued.
- Once all the scores have been calculated and verified, in the event that teams end up with equal scores, they will then compete in sudden death. A new set of questions will be used and the team with the highest total score will be declared the winner of the regional competition.

NATIONAL COMPETITION

The thirteen regional winning teams will participate in the semi-final and final competition in Windhoek. The relevant teams will therefore travel to the capital (Windhoek), in order to partake in these events over two days.

Day 1 – Semi-Final:

The semi-final round of the competition will take place in the same format as the Regional Competition format at the Bank of Namibia.

The top four teams will go through to compete in the final round of the Competition the next day.

Day 2 – Finale:

- The Grand Finale will take place during a prestigious evening event and buzzers will be built into this event.
- The top four teams that emerged from the semi-final leg of this competition will compete for the winning position in the final round.
- The competition will commence in the form of a game show with typical quiz questions. Teams will be tested in front of a panel of judges and a live audience.
- During this phase of the competition, two teams will now compete at the same time for the same set of questions.
- The team that hits the buzzer first gets the question first.
- Other two teams will be in a holding area as the same questions will be posed to them.
- The time allocation to answer questions will be increased to 1 minute.
- Two teams with the same total number of points will have to go into sudden death; the same format will be used for sudden death until the tie is broken.
- Once the judges have calculated the points of each team, the top two teams will be identified, and the winners will be announced.

All COVID-19 protocols apply and must be adhered to during the course of the competition.

Participation Criteria

Regional:

Schools that are interested in participating in the competition should contact the regional liaison person at the respective regional education offices in writing. Alternatively, they may also visit the Bank of Namibia website at www.bon.com.na and register online on or before 30 June 2022.

The participating school is responsible for its own selection of its top four learners to represent their school in this competition.

Learners from Grades 8 to 12 may participate.

The participating schools will be responsible for their own transport and accommodation fees to the regional competition venue.

National:

- Only the regional winners will form part of the schools representing their respective regions.
- The Bank of Namibia will cover the travel, accommodation and meal expenses of all regional winners travelling to Windhoek;
- The teams must be accompanied by one teacher per school only;
- Learners are required to wear school uniforms at the semi-final and grand finale competition;
- Each learner participating in the national competition must submit an indemnity form signed by their parents/ legal guardians and headmaster(s). The form will be provided by the Bank of Namibia.

General Competition Rules:

- Mobile phones and other electronic devices are not allowed in the hall.
- No learner will be allowed to leave the hall whilst the assessment is in progress.
- Only BoN officials and regional liaison persons will serve as judges.
- The Bank of Namibia may disqualify a team if it breaks any of the rules.
- The judges' decision is final.
- It is an oral competition, and all questions and answers will be posed in English.
- The Bank of Namibia reserves the right to adapt the rules and awards at any time.
- Notification of changes will be made in writing to the relevant parties and placed on the Bank of Namibia website, should it be necessary.

WINNING PRIZES!

Regional Competition Winning Prizes!

First prize: N$1000.00 Waltons Gift Vouchers
Second prize: N$500.00 Waltons Gift Vouchers
Third prize: N$250.00 Waltons Gift Vouchers

National Competition Winning Prizes!

The top four schools for this year's Bank of Namibia National High School Competition will be contending for the following lucrative prizes!
First prize - N$50,000.00
Second prize - N$30,000
Third prize - N$10,000
Fourth runner-up – Wifi Router

Follow the Bank of Namibia National High School Competition

You can download the Bank of Namibia app for your device at the following stores:

Website: www.bon.com.na

For more information or enquiries, please contact Strategic Communication & Financial Sector Development Department at tel: (061) 283 5114 or email: info@bon.com.na

Bank of Namibia

1990-2010

BANK OF NAMIBIA

Celebrating 20 Years in Central Banking

Table of Contents

Bank of Namibia 20th Anniversary History Book:

Bank of Namibia 20th Anniversary History Book

Chapter 1

This chapter provides a historical perspective of banking during the period before independence, including monetary units used. An overview of central bank operations and functions exercised and the limited monetary and financial discretion allowed at the time is reflected.

Precursor to the Bank of Namibia

As the saying goes, money is what makes the world go round, but money was not always around. Looking back, history reveals that bartering was widely used for trading. This was no less true in the former South West Africa (SWA) - today Namibia. Most indigenous people in all parts of the country traded livestock, especially cattle, for other items they required. The population groups in the water-rich northern part of the country dabbled in agriculture and caught fish in the Okavango, Zambezi and Kunene rivers.

The people also traded amongst each other with barter

items such as mahangu (millet), salt, onyoka (shell necklaces), omba (a shell from east Africa), brass or copper bracelets and iron implements. The people of the south, including the San and Nama, bartered ostrich eggshell beads and feathers, pottery and hides.

Navigators initially ignored the south-west African coast because it looked so inhospitable. Gradually ports of call were established at Angra Pequena (today Lüderitz), Walvis Bay and Sandwich Harbour, where trade developed with the local nomadic groups.

When white hunters, adventurers, explorers and later the missionaries first entered the country, barter trade developed between them and the locals and they traded beads and ivory for cattle and hides. The locals then also traded their goods for other items such as soap, weapons (knives and guns) and cloth.

Subsequent to the arrival of the Europeans and the realisation that there were valuable minerals available, they started negotiating with various headmen to obtain land and mining rights.

With more human traffic along the coast, inland trade increased. The Europeans brought bartering commodities such as weapons, ammunition and brandy in exchange for food and these items became more sought-after by the indigenous population.

Currency

Imperialism and colonialism brought about a general change in the monetary approach in this country, when silver and gold coins began to be used as a method of payment. The British Pound Sterling was the first currency to be introduced.

As far as can be ascertained, British Pound Sterling was in circulation in the early 1800s when the Cape Colony was occupied by England and by 1825 it was recognised as legal tender there. By 1841, Sterling was the only legal tender in the Cape. When British traders opened a trading depot at Walvis Bay in the 1850s, Sterling was automatically circulated in SWA.

Due to mining operations in the then Transvaal, workers were recruited from the Caprivi as well as neighbouring countries, which were also British colonies, namely British Bechuanaland (Botswana), Northern Rhodesia (Zambia), Southern Rhodesia (Zimbabwe) and other parts of South Africa (SA). These mineworkers received their wages in Pound Sterling and brought this currency home with them and so Sterling was gradually circulated country-wide.

By the time Germany proclaimed SWA as its Protectorate in 1884, British Pound Sterling was already a legal tender in the country. All banks at that time issued their own notes, until 1891, when the Cape Bank Act started regulating the issuance of banknotes in the Cape Colony.

German Mark

The German Mark was introduced by proclamation in SWA in 1893. Advised by Berlin, Governor Theodor Leutwein decreed that after 2 July 1901, apart from the Mark, no other currency would be legal tender within German South West Africa. Despite this, throughout German occupation, Sterling continued to be used in cross-border trade.

Generally, coins were used locally but during 1904 to 1906, paper money became popular and its preference increased dramatically. The cheque system was introduced and became an acceptable form of payment as well. The fact that banks were limited to only a few towns gave postal authorities, with their 104 post offices in the country, the opportunity to also cash in and postal money transfers became an important part of their business.

Further, in order to sustain sound business in the Protectorate, hotels and general dealers issued private emergency money by way of tokens/promissory notes, thus in-house 'money'. These tokens had no intrinsic or monetary value, but they were convenient for facilitating trading deals and could be exchanged for specific goods.

Seitz Notes

From the time that the First World War broke out in August 1914, until South African occupation in 1915, virtually no goods were imported. Provisions were depleted and paying cash for what was available was almost impossible. This resulted in huge credit balances with the German banks. For the financing of military activities, the German authority commandeered goods to the approximate value of £1 million and loaned £300 000 from the banks. To counter this, various types of promissory notes were issued by the government.

These notes were named after the Governor of South West Africa at that time - Dr Theodor Seitz. The German government apparently guaranteed the repayment of the Seitz notes which were in circulation amongst the Germans and were accepted by the German banks, but not by the Union Administration or the British banks.

The Germans regarded the Seitz notes as a weaker currency than the German Mark banknotes. People were anxious and started hoarding 5, 10 and 20 German Mark gold coins and for transactions mainly Seitz notes were used. This created a shortage of German Mark gold coins in circulation.

1914 - 1921

During the occupation, the Union of South Africa Administration estimated the German currency (notes and coins) in circulation in SWA (reflected below in Sterling) to be as follows:

German Mark and cash vouchers:	£200 000/250 000;
Silver	£30 000/50 000;
Gold	£20 000/25 000;
Seitz notes	£150 000.

Concurrently, the British banks kept their accounts in Sterling, but accepted German silver coins at the rate of one shilling for one Mark. They brought their own notes and British gold coins into circulation. In September 1915 Standard Bank and the National Bank already agreed to lend money to reliable and credit-worthy clients against German Mark banknotes with a 40% margin. These notes were sent to New York for realisation.

During the war years, food and other supplies were imported from SA and SWA found it difficult to pay for these goods in Sterling. The British banks - to a large extent - helped by advancing loans in Sterling, but it was just a vicious circle: supplies that were imported against Sterling, were sold for Mark, so banks had to advance more Sterling for new imports.

The community's funds were thus almost all deposited in the German banks which did not really want to get rid of their Mark notes and cash voucher notes seeing that they could be exchanged below par for Sterling. The banks only wanted to pay out in Seitz notes.

When the 'war' was over in SWA with the signing of the Peace Treaty of Khorab on 9 July 1915, people streamed to the three main centres - Windhoek, Swakopmund and Lüderitz - and merchants flourished. In the space of two years retailers and shopkeepers became wholesalers. Most of the German citizens were convinced that the war would be over within six months and so they kept spending money accordingly. Hotels, liquor stores and breweries especially, experienced a wave of prosperity in their liquor trade. The amount spent by consumers at these establishments during this period exceeded £1.5 million. This was, in fact, the total amount the people owed to the Standard Bank, the National Bank and the Land (Agricultural) Bank in the Territory collectively. People were not keen to pay off their debts but rather spent their money on purchasing motor vehicles, seemingly compensating themselves for the privation they suffered during the 'war'.

Civil courts closed after war broke out as during that time no property could be bought or sold. It meant that no debts could be recovered by means of judgment orders. The Deeds Register could not be accessed for the registration of conveyances, properties or mortgages. When the First World War ended in Europe in 1919, creditors in SWA demanded the reopening of the courts, but the government delayed this 'matter of debt' action pending a decision regarding the foreign exchange issue. The banks especially faced major problems in recovering debts. There were many varying legal opinions regarding the question of which monetary unit should be used for the repayment of debt. One group opined that all the debts - in Mark - which were incurred during the war and period of occupation, could only be repaid in the legal tender of the German Reich, namely German Mark banknotes. Others were of the opinion that the pre-war debts should be repaid in gold. Eventually - at the end of 1920 - a Council of Debt Settlement was instituted and it commenced with its activities in 1921. This council decided that pre-war debts should be repaid in gold and that other disputes with regard to money matters should be considered according to the merits of each case.

The banks had to be very cautious in the acceptance of securities and awarding advances and had to obtain the best possible legal counsel in this regard.

Pound Sterling

By virtue of the fact that British Pound Sterling was legal tender in SA even before the formation of the Union of South Africa in 1910, the banks in SWA also dealt in Pound Sterling. Subsequently that currency was made legal tender locally once again.

Salisbury Banknotes

Prior to 1931 both Standard and Barclays banks, on occasion when the need arose or when there was a shortage of Pound Sterling, circulated Rhodesia's Salisbury banknotes in SWA. However, history again played its part when in the late 1920s the economy was hit by the depression and the New York Stock Exchange crashed in 1929. When it was rumoured that Britain and Rhodesia were planning to abandon the gold standard, the South African government published the SWA Banks Proclamation in 1930, authorising registered banks to issue local banknotes. The banks took the necessary steps. The Salisbury notes had to be withdrawn because their value would have dropped by 25% as they were no longer gilt-edged. Britain and Rhodesia abandoned the gold standard on 21 September 1931 but SA did not.

Windhoek Banknotes

The banknotes referred to as Windhoek notes - on par with the SA Pound Sterling - were to be ready for circulation in October 1931. It can thus be presumed that the notes were available in Windhoek before that date. For some or other reason neither of the banks could decide on a suitable date for the launch in October. Barclays note issues were dated 1 October and those of the Standard were dated 31 October 1931.

As an emergency measure the Administration authorised that both issues could be released on 31 October 1931. Standard Bank's issues were allowed to circulate as legal tender even though its notes would only be payable to bearer on the 31st of that month. This was quite possibly a unique but ironic situation in the history of banking -

in that a financially sound institution had to be legally empowered to start circulating post-dated paper money for its requisitory (demand) obligations.

In SWA the last of the local Windhoek banknotes were issued in 1959 and also replaced with ZAR when that currency came into circulation.

South African Rand (ZAR)

British and SA Pound Sterling continued to be used in SA and here in SWA until SA withdrew from the Commonwealth and became a Republic on 31 May 1961.

The RSA introduced its own currency - the Rand - (named after the gold fields of the Witwatersrand) and the British Pound was eventually withdrawn from circulation.

Banks before Independence

German Banks

Early in the 1900s, banking in SWA naturally developed according to the German banking system because it was a German Protectorate. Smaller businessmen made use of a savings or cooperative bank and did not have commercial bank accounts. As in Germany, bank matters in SWA were limited to the accounts of a few traders in the larger centres. In the rest of the country the main trader or dealer in the district was also the farmer's and the retailer's banker.

The Nord Deutsche Bank, (Hamburg), together with the Deutsche-Afrika Bank (Berlin) opened a branch of the Deutsche-Afrika Bank in Lüderitz in 1907. The building that housed the bank was completed in that same year. The capital was provided by the Nord Deutsche Bank and Diskonto-Gesellschaft. This bank did not advance cash or grant mortgages to the community, but strictly did business with companies. By 1913 there were also branches in Windhoek and Swakopmund. (After the First World War the history of the Deutsche-Afrika Bank is linked to that of First National Bank - see page 13)

Some other banks were:

- Deutsche Südwestafrika Genossenschaftsbank (1908) (building society where money for mortgages was made available);
- Südwestafrikanische Bodenkreditgesellschaft (1912) with branches in Windhoek, Swakopmund and Lüderitzbucht;
- Banking division of the Deutsche Kolonial-Gesellschaft in Swakopmund and in Windhoek;
- Spar und Darlehenskasse at Gibeon; and the
- Landwirtschaftsbank (agricultural bank) established in 1913.

This latter bank was founded by a German Imperial Ordinance dated 9 June 1913. An extraordinary characteristic of this bank was that it could collect debts due to the government, accept and administer money deposited by State departments and keep the cash accounts of civil and military authorities. It was a predecessor of what is today known as the Agricultural Bank of Namibia.

In 1914 the First World War broke out and the face of banking was set to change.

The only German bank that remained functional after the First World War was a small local - ostensibly - mortgage bank in Swakopmund namely the Swakopmunder Bankverein. This bank was liquidated in 1931.

British Banks

Two British banks based in SA, namely Standard Bank and the African Banking Corporation entered the economic arena in SWA after the Union of South Africa occupied the German Protectorate in 1915. The British banks issued their own banknotes as well as British gold coins.

Standard Bank

The Standard Bank of British South Africa was established in SA in 1862, with the 'British' being dropped from the name in 1883. Locally Standard Bank opened its first branch in Lüderitz on 19 August; in Windhoek on 20 August and in Swakopmund on 23 August 1915.

In 1918 the first truly British bank namely the Standard Chartered Bank opened a branch in Lüderitz but conducted banking business as part of Standard Bank South Africa Limited until 1961.

The African Banking Corporation opened in Lüderitz but soon realised that it was not profitable and withdrew, only to reopen in Windhoek on 19 April 1920. It was taken over by Standard Bank in November that same year and the two branches merged on 31 December 1920.

Standard Bank South Africa became a subsidiary of Standard Bank Limited in 1962 and did business in both SA and SWA. The name Standard Bank Limited was adopted for the holding company in England subsequently to become Standard Chartered Bank PLC. A holding company in SA was established in 1969 as Standard Bank Investment Corporation (STANBIC) - now Standard Bank Group Limited - and listed on the JSE in 1970.

In 1973, following the merger of Standard Bank and Standard Chartered Bank to form Standard Chartered, the Standard Bank of South West Africa Limited (STANSWA) was established and continued to do business in SWA. The South African holding company indicated that the decision to incorporate STANSWA as a separate subsidiary of Standard Bank South Africa was in order to prepare for the country's independence. Due to international pressure (economic and trade sanctions) being applied against the RSA as a result of the apartheid policy, Standard Chartered withdrew. Standard Chartered sold its 39% stake in Standard Bank Group in 1987, transferring complete ownership of the holding company to South Africa. As a result, the name of the local subsidiary STANSWA changed to Standard Bank Namibia.

South African Banks

National Bank / Barclays DCO / First National Bank

The Nationale Bank der Zuid-Afrikaansche Republiek Beperk (National Bank of the old South African (Boer) Republic Limited) was registered in Pretoria and opened on 5 April 1891. After the conclusion of the second Anglo-Boer War in 1902, the name of this bank was changed to the National Bank of South Africa Limited. This Bank opened in Windhoek within a month of German surrender in 1915. In 1920, the National Bank of South Africa (NBSA) obtained a majority shareholding of 75% in the struggling Deutsche-Afrika Bank for £70,000. The bank was in distress caused by post-war actions taken against German companies and the dramatic devaluation of the Reichsmark. Later that year, the shareholders in Hamburg put Deutsche-Afrika Bank into voluntary liquidation. This sale included Deutsche-Afrika Bank shares of 2 million Mark and dividends of 867,000 Mark. The deal included all assets but excluded any liabilities. After stripping the Deutsche-Afrika Bank of its assets, the NBSA sold this shell company to the Commercial Bank of South Africa for £1,275 in 1923. In the same year, Deutsche-Afrika Bank, having been officially put into liquidation by the Master of the High Court sold its buildings, including furniture and fittings, in Windhoek, Swakopmund and Lüderitz for an amount of £20,000.

In January/February 1925, the Master of the High Court accepted the final accounts in the liquidation of Deutsche-Afrika Bank and ruled that all books and accounts of the Deutsche-Afrika Bank should become the property of the NBSA. This ruling indicated that the NBSA was officially seen as the successor of the now dissolved Deutsche-Afrika Bank.

Later that year the National Bank of South Africa Ltd merged with the Anglo-Egyptian Bank and the Colonial Bank to form Barclays Bank [Dominion, Colonial and Overseas (DCO)]. In that same year the National Bank in SWA was integrated with Barclays Bank DCO.

It continued to do business until 1971, when Barclays Bank International took over the business of the DCO in SA and SWA. The banks in these two countries became part of the newly-established Barclays Bank Incorporated in the RSA.

In 1987, due to international sanctions, Barclays sold its share in Barclays Bank to the Anglo American Corporation and the bank's name was changed to First National Bank Ltd. The bank in SWA was converted into a wholly-owned subsidiary company named First National Bank of Namibia Ltd in 1988.

Bank Windhoek

Bank Windhoek's roots can be traced back to 1948 when Volkskas Bank opened its first branch in the then SWA. In 1982 when a group of local entrepreneurs decided to establish a local Namibian-owned bank, they took over eight local branches of Volkskas Bank and established Bank Windhoek on 1 April of that year.

In 1990 Bank Windhoek amalgamated with Trust Bank (SWA) Ltd (established in 1969) and Boland Bank Ltd both of which had local branches. Boland Bank had been established as a regional general bank in 1900 and was listed on the Johannesburg Stock Exchange (JSE) in 1969.

(See Chapter 3 Banking Supervision - Banks - Post Independence)

Commercial Bank of Namibia

The first branch of the Nederlandsche Bank en Kredietvereeniging (Netherlands Bank and Credit Society) in SWA was opened in 1955. It changed its name to Nedbank in 1971. However, in SWA the name of the local branch of this bank was changed to the Bank of South West Africa or Swabank on 12 April 1973. Business under that name commenced in Windhoek and Johannesburg on 1 July 1973. Three months later, branches opened in Keetmanshoop and Otjiwarongo. In the latter half of the 1970s branches were also opened

in Swakopmund and Cape Town. The year 1973 also saw the formation of the Nedbank Group.
During 1976 this group purchased a building in the centre of Windhoek in Bülow Street (now Dr Frans Indongo Street) on auction and since then this site has remained its head office.

During 1979 the name of the bank changed to the Bank of South West Africa/Namibia.

In 1980 Dresdner Bank AG acquired a majority share in Swabank and a new board of directors was appointed. Dresdner Bank AG of West Germany held the majority share while 49% of the shares were held by local investors. Commercial banking facilities were introduced and a new branch was opened in Johannesburg. In 1988, Swabank was converted from a Namibian savings bank into a fully-fledged financial institution. In 1989 Swabank, (part of the Nedcor group) obtained the shares of the Dresdner Bank AG and changed the name of the bank to Bank of Namibia. The bank was then requested by the incoming government of Namibia to change the name of the financial institution to the Commercial Bank of Namibia, which it did.

Namibian Banking Corporation Limited

In the meantime, the Permanent Building Society which had been firmly established in South West Africa since after the Second World War in circa 1945, merged with the Nedbank group in 1988. This merger resulted in the formation of the NedPerm Bank with its head office in the RSA. A branch was opened in Windhoek in the same year.

On 1 October 1990 (after independence) the Nedcor group transferred the assets and liabilities of the Windhoek branch of NedPerm Bank Limited to the Namibian Banking Corporation Limited which had been registered in Namibia as a Namibian banking institution.
(See Chapter 3 Banking Supervision - Banks - Post Independence)

Building Societies

Traditionally, building societies were financial institutions that accepted deposits which yielded interest and made loans available for the purchase of homes or home improvements secured by mortgages. They developed from the Friendly Society movement in England in the late 17th century to assist their members to buy or build a house. These were financial institutions which were owned by their members. The members in the cooperative savings groups or mutual societies pooled their money and when the last member had a house, the society dissolved. Building societies were therefore non-profit societies. They offered financial services and actively competed with banks for most personal banking services such as savings deposit accounts, but were particularly involved in mortgage lending.

Building societies evolved by taking on new members as earlier purchases were completed and thus continued on a rolling basis. These institutions were later established in the UK, Ireland, Australia, New Zealand, and also South Africa where they were firmly established by the late 1800s. After the Second World War in 1945 this concept was imported to SWA but only as branches of South African parent companies.

Building societies maintained that, as mutual societies, they only had to make a profit to cover their operational costs, and had no need to generate an additional profit to return to share-holders. They could supply better and cheaper home loans than the banks and demutualised societies. The building societies' approach to lending was that prospective home owners were required to put down deposits of 25% of the purchase price. Funds were drawn by means of a chain of branches and agencies with fixed interest rates. At that time, commercial banks were not in the long-term loan market.

Before the Second World War, the building societies had been increasing their assets at a faster rate than the commercial banks. In the post-war growth years of 1945 to 1960, their assets grew at about the same rate as those of commercial banks. The functions of the building societies had thus been perfected in a non-inflationary environment.

In the early 1960s, the South African government placed restrictions on the interest rates that societies could pay on their deposits or by capping their lending capacity. This meant that the flow of mortgage funds to building societies, made by the institutions and the people it was supposed to help, was restricted.

During the stock exchange boom of 1969 more and more money was being put into stocks and less into fixed deposits at building societies and their supply of new funds dwindled. In the period 1961-1970 the assets of the commercial banks which were not involved in long-term loans, grew by 14.6% per annum compared with building societies' assets which increased at a rate of 9.7% annually. Although personal savings continued, in real terms, building societies were in trouble.

In addition, building societies had a network of branches all over and their function was to take in deposits on which interest had to be paid, while the income-generating part of their business was confined to centralised home loan departments. For example in 1985, one of the building societies had 70 branches and over 300 agencies in the RSA. Not only was the up-keep of these branches expensive but they also did not earn money. To make the branches profitable the building societies needed to increase their range of functions and to convert them into income-generating units. Furthermore, associated with the rising costs of an extensive branch network, was the rising cost of modern technology.

Thus, several factors created a difficult environment for the building societies to thrive. These included the heavy intervention of and regulation by the government, the cost of maintaining a network of non-profitable branches and strong competition from commercial banks, which became actively involved in the mortgage market.

From 1945 until 1990, the following building societies opened and closed in Namibia:
- Allied Building Society
- Johannesburg Building Society
- Natal Building Society
- Permanent Building Society
- Provincial Building Society
- Saambou Building Society
- South African Permanent Building Society
- South African Permanent Mutual Building Society
- Southern Trident Building Society
- SWA Building Society (Swabou)
- Trust Building Society
- United Building Society

Initially the legal framework, in this country, by which building societies operated was contained in the South African Building Societies Act, 1934 (Act No. 62 of 1934) which was repealed by the Building Societies Act, 1965 (Act No. 22 of 1965). In 1986 that Act was replaced by the Building Societies Act, 1986 (Act No. 2 of 1986), which permitted building societies to be converted into equity-based joint stock institutions and compete with the banks on equal terms.

To make building societies more competitive, income earned from investments in building societies eg subscription shares, were declared tax-free.

With independence in 1990, there was only one building society in operation in Namibia namely Swabou. When the SA building societies namely United, Perm, Allied, Natal, Provincial, Southern Trident and Trust amalgamated, their assets in SWA were transferred to the SWA Building Society (Swabou) which was established in April 1979.

In 1981 Saambou Building Society transferred its South West African assets to Swabou.

Swabou's main purpose was to provide profitable and convenient avenues for savings and investments and to provide mortgage finance of property. Through its wholly-owned subsidiary companies, Swabou Insurance and Swabou Life it also provided short-term and life assurance cover.
(See Chapter 3 Banking Supervision - Banks - Post Independence)

The Banking Sector at Independence

With independence the Namibian banking sector consisted of five commercial banks, namely:
- Standard Bank Namibia Ltd;
- First National Bank of Namibia Ltd;
- Bank Windhoek Ltd;
- Commercial Bank of Namibia Ltd; and the
- Namibian Banking Corporation (see pg 122).

There was one building society namely the South West Africa Building Society.
(See Chapter 3 Banking Supervision - Banks - Post Independence)

South African Reserve Bank - Windhoek Branch

The SARB opened a branch in Windhoek in 1961 to perform the duties of the SARB in SWA. The branch was only responsible for distributing currency, providing clearing facilities to commercial banks and serving as banker to commercial banks and the South West African Administration (SWAA). It did not have the authority to formulate monetary policy for the Territory, as South Africa's policies were automatically applicable in SWA.

Bank Supervision
Initially supervision of all commercial banks in SA and SWA was undertaken by the Registrar of Financial

Institutions in the South African Department of Finance. The SARB Bank Supervision Department was created and began its work on 1 October 1986. The responsibility for the supervision of banks and building societies was officially transferred from the Department of Finance to the South African Reserve Bank on 24 April 1987. This included the supervision of all commercial banks in SWA/Namibia.

Banking and other Financial Services

SWA fell within the Rand Monetary Area and did not have a central bank or monetary policy of its own, save the branch of the SARB which opened in Windhoek in 1961. There was an unrestricted flow of funds between the Territory and the RSA. Interest rates and reserve requirements reflected the South African monetary policy applied by the SARB. In 1988 the banking sector in SWA/Namibia employed 1, 732 people.

Funds for private sector development were available from the Development Fund of SWA, the First National Development Corporation (FNDC), the National Building and Investment Corporation (NBIC) and the Land and Agricultural Bank.

Even before independence, the banking and financial services sector was described as being well-developed, but the local money market was underdeveloped. This was regarded as a shortcoming and received attention from the authorities in 1989. The local Building Society Act was already in force and the Namibian Bank Act was being prepared in 1989.

Total assets and liabilities of the commercial banking system amounted to R1 457,5 million at the end of 1988 - reflecting an expansionary phase of the economy. Total advances for the same period were R960,6 million, or R372,7 million more than a year before.

Public Finance during the South African Era 1915 - 1990

At this point it is necessary to briefly outline how public finance was managed during the South African era. The most important features were designed to regulate inter-governmental relationships between SA and SWA in general and financial relations in particular. The changes in these public finance arrangements were brought about by the need to accommodate the changing circumstances in SWA, and changes in South African policies.

Before 1969
Prior to 1969, with the exception of a number of public departments, the SWAA had been in charge of most public services. With the exclusion of the collection of customs and excise duties of which a transfer payment was received from SA, the SWAA developed and managed its own tax system and tax laws. It also administered the Territorial Revenue Fund and Reserve Fund and local authorities in the white areas. Funds for services in the so-called 'native areas' were directly appropriated by the South African government.

Surpluses created a false understanding of economic self-determination and this resulted in the provision of public services of a very high standard. However, the majority of the population did not share in these benefits. In urban areas there was steady progress in expanding the infrastructure which did not happen in the rural areas. This dual system was the main reason for the change in the basis of public finance organisation in SWA in 1969. International pressure on the RSA over its continued presence in the Territory intensified considerably during this time.

1969 - 1980
During this period the recommendations of the Commission of Enquiry into South West Africa Affairs (Odendaal Report) were implemented. This led to the government of the RSA assuming control of important administrative, fiscal and constitutional matters in terms of the implementation of the South West Africa Affairs Act, 1969 (Act No. 25 of 1969). The Act basically signified the political and economic integration of SWA with the RSA.

This curtailed the jurisdiction and responsibilities of the (White) Legislative Assembly and the Executive Committee of the SWAA, thus surrendering certain functions to the South African government. The authority of local government bodies was diminished, becoming largely similar or equivalent to that of a South African provincial administration.

Furthermore, the SWA/Namibia Account was administered as part of South Africa's State Revenue Fund. All tax proceeds originating in SWA/Namibia were accounted for separately. Subsequently, the following instruments of government and financial institutions operated during this period:
- the Territorial Revenue Fund and the Territorial

Development and Reserve Fund, administered by the SWAA;

- the South African Bantu Trust, for the development of those homelands which had not yet received self-governing status;
- the Revenue Funds of the self-governing territories (Owambo, Kavango, Caprivi, Damaraland, Namaland and the Rehoboth Gebiet);
- South Africa's State Revenue Fund which also appropriated funds directly to SWA/Namibia for functions such as defence, police and foreign affairs.

This system was adjusted to the local situation but based on the public finance model used in the South African public service. As a consequence of these adjustments and the running of a dual system, public finance became complicated, awkward and uneconomical.

During the 1970s, massive capital expenditure programmes such as road and dam building projects were embarked upon, predominantly in areas which had previously received negligible public services. Government activities quickly began to expand and departments such as public works, water affairs and roads in particular made heavy demands on the national budget. For reasons of low profitability or heavy capital requirements, private initiative was lacking and public corporations such as the FNDC were established for certain sectors. The budget deficits that arose from this high level of government expenditure were charged to the SWA/Namibia Account. As expected, this growth in the government sector raised the standard of living for some sections of the population.

After 1980

By the late 1970s political developments in both SWA and RSA as well as in the international arena indicated that the Territory was moving towards independence. Subsequently, it was decided once more to adjust the dispensation of SWA/Namibia's public finance.

A Central Revenue Fund was created as well as the process of the consolidation of the 28 departments of the SWA/Namibia Account, the activities of the South African Development Trust (SADT) and the Post Office Fund into 11 departments initially. The various functions which had previously been controlled from Pretoria were transferred to Windhoek. These included the public service commission, public finance, police and defence. The number of government departments increased to 16.

A further modification concerned relations between the territorial authorities, the SWAA and the SADT. The Proclamation of Representative Authorities (AG 8 of 1980) was promulgated. Apart from serving as an interim constitution it allowed each of the eleven population groups to establish their own representative authority and fiscal arrangements were aligned with it. Regional revenues, such as personal income tax, were supplemented by contributions from central government.

Even though the RSA in the 75 years of its governance of SWA/Namibia derived revenue from fisheries, mining and agriculture, most if it was used for infrastructural development.

Customs and excise were paid by the South African government in acknowledgement of SWA/Namibia's participation in the Southern African Customs Union (SACU). Prior to 1981/82, in terms of the South West African Affairs Act, SWA/Namibia received a fixed 2.55% of the net receipts of the customs and excise pool after appropriation to other member states of SACU, namely Botswana, Lesotho and Swaziland.

Trade statistics could not be provided in the absence of border control between SWA/Namibia and the RSA, which prevented SWA/Namibia to share more in the customs pool. The former's contribution was arbitrarily determined, depending primarily on South Africa's ability to pay and on representations made by SWA/Namibia from time to time. Its share in the net customs and excise pool was estimated to be between 13% (1985/86) and 6% (1988/89) of total customs and excise collections in the Common Customs Area.

General sales tax, which was introduced at a rate of 4% in 1978/79, gradually rose to 9% in 1989 and to 15% (with effect from 1 December 2000), became the single most important source of tax and revenue for the central government. However, this 'own' revenue was insufficient to cover total current capital expenditure together with transfers to the lower levels of government.

By the time AG 8 was implemented, the RSA realised that there was no hope of SWA ever becoming a fifth province of that country, so the government then started recording debts incurred by SWA.
(See Chapter 2 - Pre-Independence Debt)

The Road to Independence

The League of Nations, which had been established after the First World War became defunct. After the Second World War the United Nations (UN) was instituted in San Francisco on 24 October 1945, with its headquarters in New York.

During 1945 the Prime Minister of the Union of South Africa, General J C Smuts, filed for the formal annexation of SWA with the UN, but the request was denied.

The next year, the UN ruled that former League of Nations mandated territories, including South West Africa, were to become trust territories and were to be granted independence under an agreed timetable. The Union rejected this ruling.

At the same time the Pan-African movement began and many African countries were spurred on to claim independence from their colonial masters.

SA repeated its request for the formal annexation of SWA in New York on 4 November 1946. General Smuts claimed that he had the support of traditional leaders, but Chief Hosea Kutako, leader of the Chief's Council of the Herero in SWA, refuted this.

After the National Party came to power in May 1948, the Union of South Africa followed a policy to progressively strengthen economic and political ties between the Union and SWA, to the extent that it would eventually be impossible not to consider SWA as part of the Union.

Locally, the Chief's Council increasingly made contact with other traditional leaders to further their cause with regard to independence. This stance gave rise to a 40-year long drawn-out dispute with SA. Chief Kutako appointed the Reverend Michael Scott to give oral evidence to the United Nations Fourth Committee on South Africa's administration of SWA. At his request

Scott became a permanent representative for the SWA liberation movements at the UN in 1950.

The apartheid policy implemented in SA was equally applied in SWA and caused even more strife. The forced removal of blacks from the Old Location in Windhoek to Katutura and the shooting of protesters on 10 December 1959 was the catalyst for the radicalisation of the oppressed people and intensified resistance against apartheid. Petitions to the UN were followed by the formation of the Owamboland People's Organisation - the forerunner of the South West African People's Organisation (SWAPO) which fought to free the country from South African rule.

When the South African government introduced and enforced more segregation policies in the early 1960s, the UN General Assembly decided to revoke South Africa's mandate over SWA.
The South African government however, rejected this resolution and SWAPO launched an armed struggle on 26 August 1966.

In October 1966, the UN General Assembly ended South Africa's mandate for the administration of SWA and assumed direct responsibility for the Territory until its independence.

In 1968 the United Nations Security Council passed a motion to change the name of the Territory to Namibia, but this was not recognised by the RSA.

Council for Namibia

The UN established a Council for Namibia and entrusted it with the task of securing indepen-dence for Namibia. In 1976 the UN's Council for Namibia established the United Nations Institute for Namibia as a training and applied research institute. The Institute aimed at making available the necessary documentation required when the country became independent. A new government would face enormous challenges in correcting the imbalances of the past during the illegal occupation of the country by SA. The white-controlled economy and the socio-economic structure and institutions had reduced the black people in the Territory to mere vassals. These structures and institutions needed to be identified and dismantled and in this context ten sectoral studies were undertaken and completed by the Institute. Furthermore, the Institute pointed out that there was a need to prepare a study on national development strategies for a post-independent Namibia.

After many years of international pressure on the RSA, including trade and financial sanctions, an Administrator-General was appointed on 1 September 1977, to prepare the country for independence. In July of the next year the UN Security Council appointed Martti Ahtisaari as UN Special Representative for Namibia. The election that was held in the country in December 1978 was won by the Democratic Turnhalle Alliance, after which a Constituent Assembly was formed. This was not recognised by SWAPO, which did not participate, nor by the UN.

In April 1978 the RSA accepted an independence plan proposed by the five Western Powers, as did the SWAPO party. The Security Council of the UN adopted Resolution 435 on 29 September 1978. The Administrator-General proceeded with his task and promulgated the Abolishment of Racial Discrimination - Urban Residential Areas and Public Amenities Act, 1979 (Act No. 3 of 1979).

On 20 December 1982, the UN General Assembly asked the Institute to prepare a comprehensive document on all aspects of socio-economic reconstruction and development planning. In cooperation with SWAPO, the Office of the United Nations Commissioner for Namibia and the United Nations Development Programme, the Institute produced the publication 'Namibia: Perspectives for National Reconstruction and Development' first published in 1986. This study was divided into 27 chapters which collectively provided a comprehensive view of the socio-economic conditions in the Territory at the time. It further identified the restrictions imposed by South African occupation and elaborated on the various options which could be applied to overcome those constraints to establishing a just society.

Chapter 19 of the said publication deals with the country's monetary system, financial institutions and public finance.

Following a protracted armed liberation struggle and numerous negotiations and meetings, all parties concerned finally came to an agreement on the independence of Namibia in 1988. The signing of the trilateral agreement between South Africa, Angola and Cuba and a bilateral agreement between Angola and Cuba on 22 December 1988 in New York set the wheels of transformation in motion. On 1 March 1989 the Transitional Government of National Unity

was dissolved. On 1 April 1989 Resolution 435 was implemented and the stage was set for Namibia to become an independent state.

An election for the Constituent Assembly took place on 8 and 9 November 1989. Over 97% of registered voters went to the polls. Martti Ahtisaari certified that this election was 'free and fair'.

The election results were as follows:

SWAPO	57.3%
DTA	28.6%
UDF	5.6%
ACN	3.5%
NPF	1.6%
FCN	1.6%
NNF	0.8%
SWAPO-D	0.5%
CDA	0.4%
NNDP	0.1%

Chapter 2

This chapter provides an account of the events leading to the establishment of the Bank of Namibia, immediately before and after independence. Furthermore, the legal framework within which the Bank operates is dealt with. It touches on areas such as the Constitution, Bank of Namibia Act and other relevant legislation being administered by the Bank. The developments that led to the introduction of the national currency in Namibia and how it changed the operations of the Bank are also covered. It explains and describes the functions of the Bank and its financial relationship with customers and stakeholders too.

Establishment of the Bank of Namibia

During the 1960s, 1970s and 1980s the development of South West Africa was overshadowed by politics. The rest of the world was hesitant to invest in a country whose future was uncertain. Historically too, when African countries gained their independence, often civil war and unrest followed and the economies of those countries collapsed.

On the one hand, the South African government in the 1960s was pumping money into SWA, wanting the world to believe that the country would not be able to support itself. On the other hand, SWAPO had gradually become 'a government in waiting'. SWAPO's mission was to liberate SWA from apartheid South Africa's illegal occupation. As a liberation movement, SWAPO had adopted a strategy to educate and train the cadres who would eventually occupy important management and administrative positions after Namibia became independent. Thousands of young Namibians in exile were therefore trained in friendly countries to become doctors, nurses, economists, administrators and in other professions. The United Nations Institute for Namibia also played a significant role in preparing Namibia for independence.

Furthermore, SWAPO approached the UNO (today the UN) and other sympathetic organisations outside the country for assistance. They obliged and in cooperation assisted SWAPO in drawing up possible strategies in all aspects of government for when the country became independent.

Even before independence, the need for a central bank was identified as one of the priorities by SWAPO. A strategic decision was taken that there would not be any economic disruption after independence was attained. SWAPO also realised early enough that there could and would be no economic development if peace and stability were not maintained in the country.

As an organisation SWAPO knew the country's natural resources, its fish stocks and its agricultural potential. SWAPO was also aware of the fact that the country would need its own currency, backed by sound economic management practices. Furthermore, no country could develop economically without a central bank to regulate the currency and administer monetary policy. SWAPO also knew that it was important to consult other countries within the southern African region. Namibia had to plan its own economic destiny.

In 1988 SWAPO approached Olof Palme of Sweden about the possibility of assistance specifically with the establishment of a central bank after independence. He offered the organisation the services of a specialist banker, Erik Lennart Karlsson, who had assisted many other African countries in the banking business. On a top secret mission the then President of SWAPO, Dr Sam Nujoma and SWAPO Secretary of Finance, Hifikepunye Pohamba, went to Rome, Italy and met with Karlsson. At this meeting, banking and economics for an independent Namibia were discussed and SWAPO referred to the publication of the Institute for Namibia namely 'Namibia: Perspective for National Reconstruction and Development' in which the various options for the currency system and central banking had been investigated.

Namibia's de facto membership of the Rand Monetary Area (RMA) meant that it did not have an independent monetary policy and only had limited control and management of its national wealth. It was essential for the government of an independent Namibia to establish its own mo-netary system and governing authority as soon as the necessary arrangements could be made.

Four varying basic currency system options were offered for consideration and were:

- the fully autonomous currency board system or enclave without a central bank or a currency board system;

- a currency board or enclave with a limited discretionary monetary authority or central bank;
- a common currency union with a supra-national central bank; or
- an independent currency monetary system with a fully-fledged central bank.

These options are discussed briefly for the sake of clarity:

Currency board or enclave without a central bank or a currency board system

Namibia would be expected to continue using the ZAR as the sole currency and be guided by the RMA. There would thus be no central banking institution and functions which would otherwise be performed by a central bank, would be performed by the Minister of Finance in consultation with the SARB. The SARB would, in other words, be the principal authority on overall monetary and financial matters and be the custodian for the management of foreign exchange reserves. As before, there would be free movement of capital within the RMA although this flow would favour SA which had a much more developed capital and money market.

A currency enclave or board with limited discretionary monetary authority or central bank

This option was slightly more sophisticated and would have some influence over the domestic economy. Despite some control, this system had the same main disadvantages and others as the first option, for instance:

- every additional unit of its currency in circulation must be acquired for value;
- exchange rate policy is that of the dominant partner;
- interest rates must materially move in line with those of the dominant partner; and
- the country must suffer the cost of imported inflation without any effective monetary tool to counter it.

A common currency union with a supra-national central bank

Under this option, a joint central bank and a common currency is shared by a group of countries. An example of this system is the West African Monetary Union. To prevent any individual country from influencing monetary and financial policy for its sole interest, the responsibilities of the central bank are jointly managed within a framework of joint decision-making.

An independent monetary or currency system with a fully-fledged central bank

This last option was consistent with the policy objectives and fundamental aims of the new government, as an independent monetary system with a fully-fledged central bank would consolidate genuine independence and development.

It would further allow the country to issue its own independent currency backed by its own reserves. This system is found in most developed and developing countries. The central bank would, in respect of monetary and financial policy matters, have a wide range of discretionary powers. It would be able to initiate an expansion or contraction of its economic assets and liabilities and could exercise considerable influence over monetary and financial conditions in the country, over the various banks and the financial sector in general.

Given the country's limited experience in monetary policy management, the second option was considered the most favourable. This option would enable the new Namibian government to benefit from South Africa's experience while at the same time providing the country some scope for an independent monetary policy.

Namibian Constitution

The Constituent Assembly Proclamation was published on 6 November 1989 and dealt with preliminary issues such as the adoption of certain rules and regulations concerning their meetings. It also stipulated that the Constituent Assembly was to draw up the Namibian Constitution, which had to be adopted by a two-thirds majority of the said Assembly as well as the date on which the constitution would come into force. Furthermore and most importantly, the Constituent Assembly had to determine the date for the independence of Namibia. The UNTAG peacekeeping mission arrived and the first democratic UN supervised election was held in the country on 8 and 9 November 1989.

As if to affirm that the world was changing, the Berlin Wall came crashing down during this election. This event heralded the end of the cold war and the beginning of a new world order.

Over and above the many other important issues for which provision had to be made in the constitution, the establishment of a central bank in Namibia also had a place. The Bank of Namibia's legal foundation is enshrined in Article 128 (1) of the Republic of Namibia's Constitution which reads: 'There shall be established by Act of Parliament a Central Bank of the Republic of Namibia which shall serve as the State's principal instrument to control the money supply, the currency and the institutions of finance and to perform all other functions ordinarily performed by a central bank.'

The Namibian Constitution was accepted and approved by all parties on 9 February 1990.

After more than a century of colonial rule the country finally became an independent sovereign State - the Republic of Namibia - on 21 March 1990. His Excellency, President Dr Sam Nujoma, was sworn in as Namibia's first President on the same day.

The fight for self-determination had been won, but the battle for economic independence had just begun. Everything was lined up for the process of creating a central bank for Namibia and the introduction of Namibia's own currency.

International Support

After SWAPO had met with Karlsson in 1988, he called upon the Swedish government to assist with the establishment of a central bank for independent Namibia. Sweden, through the Swedish International Development Agency (SIDA) started preparing for the setting up of a central bank once the country became independent.

Before SIDA provided the necessary support, two fundamental questions were addressed namely:
- whether Namibia would need its own currency; and
- whether Namibia would be able to introduce such a currency instead of continuing to use the ZAR.

SIDA then embarked on an investigation into the modes for the establishment of a central bank, by, inter alia:
- undertaking study visits to other central banks in the region; and
- by holding a seminar with other central banks in the southern African region on their experiences of developing central bank activities in the shadow of the RSA.

SIDA's final report, setting out the arguments for having a central bank and detailing the steps to be taken to establish such a bank was completed in March 1989. It was found that Namibia could indeed establish its own central bank and introduce its own currency, but that the country at that time lacked the human resources and economic expertise to take on this enormous task. SIDA saw this as an opportunity to further assist an independent Namibia by proposing and offering a SIDA assistance package for the creation of a central bank to the government in Namibia.

Based on the recommendations in SIDA's final report, the new Namibian government entered into an agreement with SIDA in which the latter undertook to:
- provide Namibia with a fully-fledged, Namibian-staffed, self-sufficient and well-functioning central bank, with a proper race and gender balance;
- contribute to financing the introduction of the country's own currency. The intention was to strengthen the monetary independence of Namibia as well as to ensure an efficient and effective management of the country's financial resources. One key issue at stake was the strengthening of Namibia's autonomy in relation to the RSA, which had hegemonic control over Namibia's economy;
- assist the Bank of Namibia with training of staff in managerial and other positions and to improve their skills. The services of knowledgeable consultants were procured with the aim of establishing a uniquely Namibian institution that would be on par with central banks worldwide; and
- assist with the computerisation of the Bank of Namibia.

The services of the Swedish advisor Erik Karlsson were secured and he was commissioned to
assist with the creation of the central bank.

From the outset in July 1990, in cooperation with the International Monetary Fund (IMF)/United Nations Development Programme (UNDP) and SIDA, the Bank of Namibia worked toward becoming a fully-fledged institution. In this context, SIDA provided the Bank of Namibia with the services not only of the Deputy Governor (Karlsson - who later became Governor), but also of a training manager.

SIDA focussed on:
- a recruitment strategy for the Bank and an ambitious staff training programme, funded by SIDA to the amount of Swedish Krone (SEK) 4.04 million;
- a computerisation strategy developed by short-term consultants after which it was implemented and again funded by SIDA to the amount of SEK 19.1 million; and
- a new national currency.

Furthermore, on an ongoing basis, personnel would be trained to keep up with developments in the banking sector.

Banking Statutes

With independence and in terms of the Namibian Constitution, all existing legislation governing the country as well as the banking industry was inherited by the new Namibian government. Relevant to the banking industry were: the Currency and Exchanges Act, 1933 (Act No. 9 of 1933); the Prevention of Counterfeiting of Currency Act 1965, (Act No. 16 of 1965); the Banks Act,1965 (Act No. 23 of 1965); and the Building Societies Act, 1986 (Act No. 2 of 1986).

To change the status quo and establish its own central bank, the new government had to either draft new legislation or amend existing legislation. Subsequently, to fulfil its obligations, a new legislation for the establishment of a central bank for Namibia was drafted and passed by Parliament in 1990.

The Bank of Namibia Act, 1990 (Act No. 8 of 1990)

The Bank of Namibia Act, 1990 (Act No. 8 of 1990) provided a legal framework within which the establishment of a central bank could be carried out. With technical assistance from the IMF, UNDP and SIDA, the Bank of Namibia was founded on 16 July 1990.

Provision was made for the appointment of a Governor and the Board of the Bank with six members to serve on it. The Governor was designated as the Chairperson of the Board and also Chief Executive Officer.

Name of the Bank

In 1989 Swabank registered and changed its name to Bank of Namibia, but as the country was preparing to become an independent state the Minister of Finance-in-waiting, Dr Otto Herrigel, requested that the name be ceded to the new central bank of Namibia which was to be established a few months later. Dr Herrigel further suggested that Swabank rather use the name Commercial Bank of Namibia. The Namibian Banking Corporation was then established by the parent company Nedbank, after which the Commercial Bank of Namibia was registered in 1990. The central bank thus became the Bank of Namibia.

Staff and Offices

All SARB staff at the Windhoek branch had three options:

- to be transferred back to the RSA;
- to join the Bank of Namibia; or
- to resign/retire.

The majority chose to join the Bank of Namibia. A few, including the branch manager, returned to the RSA. The Bank of Namibia took up office in the building which previously housed the Windhoek branch of the SARB in Göring Street, (now Daniel Munamava Street) Windhoek. It primarily took over the functions already performed by the Windhoek branch of the SARB up until then. There was only one department (Operations) with a staff complement of approximately 63.

This Operations Department had three divisions, namely:

- the Currency Division (issuance of coins and notes);
- the Banking Division (clearing and payment of cheques); and
- the Accounting Division.

The SARB maintained its branch in Windhoek until the Bank of Namibia commenced its operations on 1 August 1990. With its creation, new employment opportunities were created at the Bank. Positions were advertised and, where possible, appropriately qualified personnel were appointed.

Given the difficulty of recruiting nationals experienced in central banking, by 31 January 1991, the Bank of Namibia in the first year had appointed 42 nationals in positions which were previously occupied by staff recruited by the UNDP, IMF and SIDA. In the meantime the training of recruited staff in the various disciplines started in earnest.

The ZAR remained legal tender in Namibia and the Bank became the agent of the SARB for issuing and receiving South African currency. The Bank of Namibia continued to provide a clearing house facility for cheques and interbank clearance settlements.
Besides the Governor's and the General Manager's offices, the Bank had seven departments by 1991. Four of these departments were housed in the former SARB building and two in the Capital Centre in central Windhoek. Subsequently one of these, the Supervision Division, moved from there to the Sanlam Centre the following year. The Exchange Control Division was housed in the CDM building.

The accommodation of staff in four separate and distant buildings had a number of disadvantages, of which internal communication was the most predominant.

The Inauguration of the Bank of Namibia 15 July 1990

Issuance of National Currency 1993

Preparations for the introduction of a national currency, named the Namibia Dollar, commenced soon after independence. The Technical Committee on the National Currency was formed in September 1990 and charged with performing this task. This committee consisted of representatives of the Ministry of Finance and the Bank of Namibia. Dr Johan Jones* (committee chairperson), Paul Hartmann (secretary) and Dr David Rush* were appointed from the Ministry of Finance. The other two members were Erik Karlsson* and Emanuel Lule* from the Bank of Namibia. (*now deceased).

According to the Bank of Namibia Act, the President had to decide on the monetary unit and its symbols on the one hand. On the other hand, approval of the Minister of Finance was required for the denominations, composition, form and design of the national currency.

The Technical Committee had to produce specifications and devise proposals for notes and coins and organise the tender process. When the tendering was concluded and the Cabinet had selected the winners of the designs and decided upon the printer and minter, the Committee had to follow up on the Cabinet's decision.

As described in the Bank of Namibia Act, the Bank issues the national currency and arranges for the printing of notes and the minting of coins.

Specifications and Tendering

On 7 October 1991, international tenders were called for the design and printing of currency notes, to reach the Bank of Namibia no later than 30 April 1992. Professional local artists checked and evaluated the received designs whereafter, in May 1992, all the designs were presented to the Cabinet. On the basis of quality, appearance and quoted price, the Cabinet decided to award the tender for the printing of the notes to AB Tumba Bruk, Sweden. In September 1992, the Bank of Namibia signed the contract with that company. According to the contract, one third of the currency notes were to be delivered to the Bank not later than August 1993; the residual amounts at a later stage, to be decided upon by the Bank.

All designs received for coins were rejected by the Cabinet, after which it was decided to announce a competition for coin designs in June 1992. The competition was launched in the same month with the closing date being 28 August 1992. More than 140 sets of designs were received. After scrutiny by professional artists and technical experts, the Cabinet decided to award the prize for the designs of the N$1 and N$5 to Bernard Sargent of the South African company Metal Image. The designs for 5c, 1Oc and 5Oc were awarded to the mint of Finland. Quotations for the minting of these coins had to be received by the Bank of Namibia by 9 October 1992.

Early in December 1992, the Cabinet awarded the tender contract for the minting of the entire series of the Namibian coinage to the mint of Finland. The contract between the Bank of Namibia and the mint of Finland was signed in January 1993.

The Swedish government agreed to provide the Bank of Namibia with part of the capital (SEK 20 million), needed to introduce a new national currency to be used to pay for the production costs of the banknotes.

Awareness Campaign

In order to inform and educate the Namibian people on the implications and practical details of the national currency, an awareness campaign was launched. A National Currency Committee was established with the Deputy Governor as Chairperson and the Public Relations Officer as Vice-Chairperson in order, amongst other things, to oversee the campaign. The Committee held its first meeting on 4 February 1993, after which meetings were held on a regular basis until the notes were issued.

To ensure that the entire population of Namibia would accept the new currency with pride, the Committee, with the assistance of a local advertising agency, formulated a mass communication strategy to launch the new currency.

Under the auspices of the training coordinator, staff training sessions were undertaken to inform and educate the staff about the requirements and implications for them and the Bank, on the introduction of the national currency.

At the ordinary meetings with the commercial banks, information was given about the introduction of the national currency. The banks were requested to present to the Bank all possible questions that could be raised in connection with the introduction of the currency. Cooperation between the top management of the Bank and the commercial banks via a technical committee was very fruitful, especially when it came to clarifying and making public the payment techniques to be used for money transactions between Namibia and the RSA.

Special meetings were also held with commercial banks to which representatives of the business community were invited. The campaign was stepped up with television and radio commercials. The theme was: 'There's a new sun rising over Namibia'. All commercial banks, building societies, municipalities, post offices and major retailers were supplied with stands, leaflets, and promotional badges which were displayed and distributed at point of sale stations. A documentary on the Bank of Namibia was produced and screened on local television.

A comprehensive rural road information programme was launched, where teams from the Bank of Namibia, in local languages, informed and educated the Namibians in those parts of the country.

On Monday 30 August 1993 the first consignment of Namibian banknotes arrived at the Windhoek International Airport. Under Police escort, the banknotes were transported to the Bank of Namibia where they were unloaded, unpacked and stored in the vaults. In subsequent weeks the Bank of Namibia delivered smaller consignments of banknotes to the commercial banks in Windhoek. From these banks, sufficient quantities of banknotes were distributed to the various commercial bank branches throughout the country, in anticipation of the official launch date.

Official Launch of the Namibia Dollar

The Namibia Dollar was officially launched by His Excellency the President, Dr Sam Nujoma on 14 September 1993. A ceremony was arranged by the Bank of Namibia and took place at the garden restaurant outside the Parliament building. The ceremony commenced with the signing of a new Bilateral Monetary Agreement (BMA) between Namibia and the RSA by the respective ministers of finance and as from 15 September 1993 the Namibia Dollar became legal tender in Namibia.

Namibia Dollar as Legal Tender

A proclamation on the determination of the monetary units and symbols of the currency of Namibia, as well as a general notice on the characteristics of notes and coins to be issued by the Bank, were gazetted. Specimen notes were sent to foreign central banks. All the arrangements with the IMF, necessary for a country introducing its own currency, were completed.
(IMF: refer to Chapter 5)

Before the Namibian coins could be fully utilised, coin-operated machines (parking meters, public telephones, etc), which only accepted South African coins, had to be converted and calibrated to accept Namibian coins.

The first consignment of Namibian coins arrived at Walvis Bay on 13 November 1993. From there they were transported by road under Police escort and delivered to the Bank's premises in Windhoek and from there to commercial banks. Issuing of the coins started on 8 December 1993.

Design and Symbolism of Namibia Dollar Banknotes

The primary function of banknotes is to serve as a safe, secure and generally accepted payment medium. However, banknotes also serve as a national symbol of any country - almost on par with the national flag and the coat of arms. In a way banknotes act as the 'business card' of the country, conveying a message to the holder.

The first design of the banknotes dates back to 1993, when N$10, N$50 and N$100 banknotes were officially introduced. In 1996, the N$20 and N$200 notes were put into circulation. These latter two notes were redesigns of the original notes and contained a number of trademarked security features, including anti-copier and anti-scanner features. The original banknotes were subsequently upgraded to include the same security features as the N$20 and N$200.

Themes

Each banknote conveys a message about the country in which it is used. In Namibia's case the message contains four main themes:

The armed struggle for the achievement of independence is symbolised by Kaptein Hendrik Witbooi; the Sovereignty of the country is symbolised by the Namibian Parliament; while Nationalism is symbolised by the national flag and the coat of arms. The Natural Diversity of the land is symbolised by the Namibian antelopes.

Design features on the obverse side

The main motif of the note is the portrait of Kaptein Hendrik Witbooi, with other visible features on the obverse side being:

- the vignette of the Namibian Parliament building;
- guilloche borders - an ornamental border formed by two or more interlaced bands around a series of interlocking circles around parts of the note;
- the name, number and value of the denomination;
- the Governor's signature and the name 'Bank of Namibia';
- the Namibian coat of arms;
- Braille dots (each note has a different number of dots);
- a see-through (perfect) register (each note has a different pattern);
- the serial number of the note on the left and right hand side of the note;
- a silver windowed metallic thread; and
- a silver foil patch on the N$100 and a gold foil patch on the N$200 banknotes.

Design features on the reverse side

The main motifs of each of the denominations of the banknotes are depictions of common Namibian antelopes: N$10: Springbok; N$20: Red Hartebeest; N$50: Kudu; N$100: Oryx; and N$200: Roan Antelope. The other visible features on the reverse side of the note are:

- guilloche borders around parts of the note;
- the name and value of the denomination;
- the name 'Bank of Namibia' and the name of the antelope;

- an outline of the Namibian flag; and
- the reverse side of the see-through register.

Raw material specifications

In the design of the new banknotes, the Bank paid particular attention to the raw material specification, i.e. paper, ink, thread, watermark, foil and varnish.

Security features

Security features found on the different denominations of the banknotes are quite standard across the different denominations. The only major difference is that the N$100 has a silver foil and the N$200 banknote a gold foil, while the lower denominations have none.

Know Your Currency
Inspect security features

WHAT DO I LOOK OUT FOR IN BANKNOTES ?

Follow these three easy steps :

Step 1 : LOOK

Hold the banknote at an angle to see the colour shift in the thread. The word "BON" should also appear.
Hold the banknote up against the light until you see the watermark image. It should match the main portrait (Kaptein Witbooi or Dr Sam Nujoma) on the banknote.

Step 2 : INSPECT

Inspect the numbers carefully to ensure that both left and right match.
Inspect the image of the SPARK* to see the rolling bar from one end to the other on the N$50, N$100 and N$ 200.
Inspect the diamond sign of the OVI on the N$ 10 and N$ 20 to see the colour change from magenta to green in the N$ 20 and gold to green in the N$ 10.

Step 3 : FEEL

Run your fingers across the words "Bank of Namibia" on top of the note and also the denomination on the left edge, to feel the raised ink.
Feel the blind recognition dots for visually impaired people, which appear on each banknote.

KNOW YOUR CURRENCY

The 2021 Modified N$10 Banknote

2015 VERSION

2021 VERSION

What are the significant visual changes on the modified N$10 banknote?

The Governor of the Bank of Namibia, Mr. Johannes !Gawaxab's signature is printed in raised ink on the front side of the banknote. The rest of the security features on the 2021 modified N$10 banknote will remain. The 2021 modified N$10 banknote is legal tender and will co-circulate with the existing N$10 banknote series.

- The signature of the Governor is classified as a Public Recognition (Level 1) security feature on the Namibian banknotes in circulation.
- In terms of section 40(1) of the Bank of Namibia Act, Act 1 of 2020 as amended, the Bank of Namibia updated the security features on the modified 2021 N$10 banknote to effect the change of the Governor's signature.
- This is the first reprint of the N$10 banknote signed by Governor Johannes !Gawaxab.

Bank of Namibia

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IMF/UNDP

From the beginning, experts were required to come to Namibia to assist - initially in setting up the Bank to be able to carry out its functions - and also to train Namibian understudies.

While they were here, their remuneration was borne by the IMF/UNDP in conjunction with SIDA.

Given that the IMF/UNDP presence at the Bank of Namibia would only be available for a certain period, it was envisaged that the Bank would need to be staffed by Namibians at almost all levels by mid-1994. By then, with the exception of two portfolios, all staff and management positions in the Bank of Namibia had been filled by Namibian citizens.

SIDA Withdrawal

In addition to the support provided by SIDA, from the outset the main source of revenue was share capital from the Namibian government. Since the NAD was introduced in September 1993, the Bank of Namibia was in a better position to generate income through its issue of the national currency and with its foreign exchange reserves.

In this light, SIDA in 1994 decided that the time had come to cease financing the further development of the Bank of Namibia with grant aid. It judged that the Bank had grown sufficiently and was able to continue its own development using own financial means and managerial expertise. However, the services of the advisor on Capital Investment and the manager for Banking Supervision were retained for another year. SIDA then informed the Namibian government that its support would be phased out and cease on 30 June 1995.

From October 1990 to June 1995 the following amounts in SEK millions had been spent by
Sweden to assist with the development of the Bank of Namibia:

Technical assistance	12.390
Computerisation	19.080
Training	4.040
Financing of the currency	20.000
Total Sek	55.410 million

The contribution made by the IMF/UNDP and SIDA was invaluable and highly appreciated by both the fledgling Bank and the Government of the Republic of Namibia. This assistance enabled the Bank to grow from a young nestling into the soaring eagle it is today - a Centre of Excellence.

New Statutes

In the meantime, as the Bank continued to grow, new laws were enacted. These inter alia include:

- Bank of Namibia Act, 1997 (Act No. 15 of 1997)
- The Banking Institutions Act, 1998 (Act No. 2 of 1998)
- The Payment System Management Act, 2003 (Act No. 18 of 2003)
- Bank of Namibia Amendment Act, 2004 (Act No. 11 of 2004)
- Financial Intelligence Act, 2007 (Act No. 3 of 2007)

Bank of Namibia Act, 1997 (Act No. 15 of 1997)

Whilst the Bank of Namibia Act, 1990 (Act No. 8 of 1990) provided the legal framework which made it possible for the Bank to start its operations over the course of time, it was found that in order for the Bank to fulfil its duties, the Bank of Namibia Act, at the time, needed to be revised to extend the powers of the Bank. As a result, a new consolidated Act was promulgated.

The new Act, the Bank of Namibia Act, 1997 (Act No. 15 of 1997) was passed by Parliament and came into effect on 16 February 1998. The substitution of the old Act for the new one (Act No. 15 of 1997) in essence enhanced the Bank's effectiveness as an institution, and increased its autonomy allowing the Bank to discharge its monetary functions professionally and objectively.

The new Act consolidated certain provisions particularly to:

- modify the composition of, and arrangements for the Board;
- provide more flexibility for the purpose that the General Reserves may be used;
- provide for a reserve balance to be held with the Bank by commercial banking institutions;
- provide for more flexible lending conditions to the government;
- change the end of the financial year from 31 January to 31 December; and
- provide for a developmental role in the financial sector of the Bank.

The new Act provided a better legal framework for the Bank to render central banking services. In terms of both Acts, the functions of the Bank are to:

- promote and maintain a sound monetary, credit and financial system in Namibia and sustain the liquidity, solvency and functioning of that system;
- promote and maintain internal and external monetary stability and an efficient payment mechanism;
- foster monetary, credit and financial conditions conducive to the orderly, balanced and sustained economic development of Namibia;
- serve as the government's banker, financial advisor and fiscal agent; and
- assist in the attainment of national economic goals.

The Bank of Namibia Act, 1997 is the charter and constitution of the Central Bank of the Republic of Namibia. Under the Act, Namibia's parliament ceded the monetary authority to the Bank of Namibia.

Finally, the Bank of Namibia Amendment Act, 2004 (Act No. 11 of 2004) amended the Bank of Namibia Act, 1997, so as to enhance transparency, accountability and efficiency in the policies and operations of the Bank of Namibia. Further, it provides for the clarification of the financial relationship between the government and the Bank; and for incidental matters.

Core Functions of the Bank of Namibia

The core functions of the Bank of Namibia are outlined in the Bank of Namibia Act. Apart from this Act several other laws have imposed duties and conferred powers to the Bank to carry out certain activities.

The combination of these laws has given the Bank the following functions:

- ensuring low and stable inflation (price stability);
- banking supervision;
- payment system oversight;
- issuance of notes and coins;
- banker and economic advisor to government;
- banker to commercial banks;
- foreign reserves management;
- administration of exchange control on behalf of the Ministry of Finance; and
- assisting in the combating of money laundering activities.

Ensuring Low and Stable Inflation

Rising inflation is not conducive to economic growth and development. This is so because inflation erodes the purchasing power of consumers and the value of the nation's savings. The result is that more money is required to buy the same quantity of goods and services. This makes people poorer and economic growth and development is hampered. Given the negative effect of inflation on the economy, central banks all over the world, including the Bank of Namibia, are given responsibilities to manage inflation. The Bank, therefore, uses its monetary policy tools such as interest rates and minimum reserve requirements, etc. to ensure that Namibia's inflation does not hinder or curtail economic growth and development.

Banking Supervision

In the broader economic system, commercial banks are analogous to the circulatory system in the human body. The banks keep a large part of the nation's wealth in a form of savings and provide funds to finance investments necessary for economic growth and development. It is therefore important that the banking system remains sound and stable for the nation's savings to be protected and for the country to prosper. To achieve this objective, banks are regulated with a view to minimising disruptions to the economy. In Namibia, the duties to regulate commercial banks are entrusted to the Bank of Namibia by the Banking Institutions Act, 1998 (Act No. 2 of 1998).

Payment System Oversight

An efficient, cost-effective and stable payment system is vital for commercial activities to take place in any modern economy. This ensures that the sellers of goods and services receive their money from buyers in a fast and secure way. For example, if a debit card is used as a means of payment by the buyer, the system should ensure that the seller receives his/her money in the shortest possible time. In this regard, the Payment System Management Act, 2003 (Act No. 18 of 2003) has given powers to the Bank of Namibia to manage the country's payment system to make sure that commercial activities are conducted efficiently and in a safe environment.

Issuance of Notes and Coins

In terms of the Bank of Namibia Act, the Bank has the responsibility to issue and manage the country's money. The Bank therefore ensures that the country is supplied with quality notes and coins at all times.

Banker and Economic Advisor to Government

The Bank of Namibia

- is the administrator of the government's financial accounts;
- advises government on monetary and financial policies; and
- handles the periodic issue and redemption of Treasury Bills and government bonds.

Services Rendered by the Bank to the Government

As banker of the government, the Bank maintains the State Account. If there is a surplus at any given time, the majority of surplus funds of government is kept in the State Account and no charges are made for any services rendered in line with the Memorandum of Understanding (MoU) between the Ministry of Finance and the Bank of Namibia. There is an interest-free balance on the State Account, while interest is paid on balances above the interest-free balance.

Economic and Financial Advisor

As economic advisor, the Bank of Namibia advises government with a view to achieving high economic growth with low inflation. Issues such as monetary-fiscal alignment are regularly discussed by the Bank of Namibia and the Ministry of Finance.

Advice is given on any economic or financial matter which the Minister of Finance may refer to the Bank for investigation. This includes advice on any matter which the Bank believes may affect the achievement of the Bank's objectives or the performance of its functions under this Act. Furthermore, the Bank may express an opinion on the preparation of the government's budget. The Bank serves as a depository and fiscal agent through which transactions may be conducted with any international financial organisation, such as the IMF, World Bank, foreign lenders or donor agencies.

Public Debt Management

The Bank is entrusted with the issue and management of government debt instruments which include marketing, registering bond holders, receipt of funds, paying interest and capital redemption.

Both the parties jointly agree on the annual borrowing requirement and the issue calendar, as well as the implementation of measures and strategies necessary to further develop the market for government debt instruments.

In May 1991, less than a year after the Bank of Namibia commenced operations, it started with the issuance of Treasury Bills, thus functioning as an agent for government. Initially, only small amounts of government securities were issued, but as the domestic money market developed, the volumes increased. In October 1992 a further step was taken when the issuing of government bonds was introduced. To start with they had a maturity of two years. In December 1992, three-year bonds were issued. Since then, many new government bonds, which are regularly sold at auctions, have been created to attract investors.

Lending to Government

The Bank is only allowed to lend (money) to the government under specific circumstances, such as that loans may not exceed 25% of government's average annual ordinary revenue for the last three financial years. In exceptional circumstances, this percentage may be increased to 35%. All loans must be repaid to the Bank of Namibia within six months and if percentages are exceeded, the Bank must recommend a remedy for the situation to the Minister.

Foreign Borrowing

Before entering into foreign loan agreements, the government and all State Owned Enterprises (SOEs) must consult the Bank regarding the timing, terms and conditions and financial expediency of such loans. If it so happens that the Bank is not in favour of a certain loan, it must report the matter to the Minister and make recommendations on how the situation can be remedied. In the same vein, if the Bank wants to enter into foreign loans the approval of the Minister must be obtained first.

Banker to Commercial Banks

Commercial banks keep accounts with the Bank of Namibia. These accounts are mainly used to buy coins and notes from the Bank and to facilitate payments between banks on behalf of their customers. Banks can also place their surplus funds in the call account offered by the Bank of Namibia.

Foreign Reserves Management

In managing foreign exchange reserves, the Bank of Namibia ensures that the country meets all its foreign liabilities. This includes the maintenance and supply of foreign currencies to pay for government and the private sector's imports and foreign services. Foreign exchange is also crucial to the Namibian economy in that it serves as a formal backing for the domestic currency to support the current monetary arrangement (the one-to-one pegging of the NAD to the ZAR).

Administration of Exchange Control on behalf of the Ministry of Finance

Exchange control involves regulatory measures to directly control or influence the in- and outflow of capital over the country's borders. Exchange control is used to regulate the local demand for foreign currency in order to protect the official foreign currency of the country and to apportion available foreign currency in the best interest of the country as a whole.

For the aim of regulating foreign exchange flows, the Minister of Finance delegated virtually all responsibilities assigned to and imposed on the Treasury, to the Bank of Namibia by way of the Currency and Exchange Act of 1933.

In turn, the Bank of Namibia has delegated several of the exchange control functions to autho-rised dealers such as commercial banks and bureaux de change.

Combating of Money Laundering Activities

With the passing of the Financial Intelligence Act in 2007, (Act No. 3 of 2007) the Bank was given power to serve as the national centre for the collection, analysis and dissemination of information on money laundering to law enforcement agencies. Typically, this is not a function of central banks. However, during the enactment of the law, it was considered appropriate to house this function within the Bank of Namibia. This model was seen as the most cost effective way, given that expertise in this highly specialised field is extremely limited in this country.

Chapter 5

Considering that the success of the Bank of Namibia depends on the partnerships it has forged with different central banks and countries, this chapter explains the Bank's regional and international cooperation and agreements. It focuses on the partnerships among African central banks and the Common Monetary Area Agreement.

International Cooperation

The Bank of Namibia maintains external relations with regional and international financial institutions aimed at financial and monetary cooperation, thus enhancing cooperation and financial integration. Further, the ever-increasing interdependence between different economies and the complexities of the financial systems require greater interaction with different financial institutions so as to ensure that the Bank remains relevant and abreast of key development in the area of economics and finance.

At regional level the Bank cooperates with other central banks through the following institutions:
- the Common Monetary Area (CMA);
- the Committee of Central Bank Governors (CCGB) in the Southern African Development Community (SADC); and
- the Association of African Central Banks (AACB).

Broadly, these institutions have as their objective, cooperation among central banks within the context of deeper regional economic integration underpinned by membership of the Southern African Customs Union (SACU), SADC and the African Union (AU).

On global level, the Bank interacts with international financial institutions, the most notable being the IMF and the World Bank. Foreign central banks, amongst others, include the Bank of England; Bank of Malysia; Sveriges Riksbank (Bank of Sweden); European Central Bank; Bundesbank and the Central Bank of India.

The Bank, through its FICs has applied for membership and filed its intention to be associated with the Egmont Group, which is a network of FIUs. These FIUs meet regularly to find ways to cooperate, especially in the areas of information exchange, training and the sharing of expertise. Details on the nature of interactions between the Bank and the above-mentioned institutions over the past 20 years are documented in the following sections.

Common Monetary Area

Namibia signed a Bilateral Monetary Agreement with the RSA in April 1990 and the CMA's Multilateral Monetary Agreement in April 1992. By doing so, Namibia became a member of the CMA, which allows for the free flow of capital among members which are Lesotho, Swaziland and the RSA.

As a member of the CMA, Namibia has to adhere to the exchange control rules of the CMA Agreement. With the abolition of the Financial Rand on 13 March 1995 and the subsequent relaxation of other restrictions, Namibia virtually abolished all controls on the current account and acceded to Article VIII of the IMF Articles of Agreements in 1996.

As opposed to the big-bang approach where all restrictions are lifted at once, CMA, in principle, took a decision to rather approach the liberalisation of the remaining exchange controls gradually. So far significant progress towards the abolition of exchange controls has been made within the confines of the legislative framework governing exchange controls in the CMA. In 1995 the controls on current account transactions were effectively abolished and in the same year, the control over the movements of capital owned by non-residents were repealed. The control on the capital account transactions of residents have been quantitatively maintained.

In line with this approach, the Bank developed a new reporting system to capture essential foreign transactions data from the commercial banks, in order to ensure greater accuracy of information on cross-border foreign exchange transactions reported to the Bank of Namibia. This system is based on the IMF Balance of Payments classification of foreign transactions and is known as the Cross Border Foreign Exchange Transactions Reporting System. It became operational on
3 March 2003.

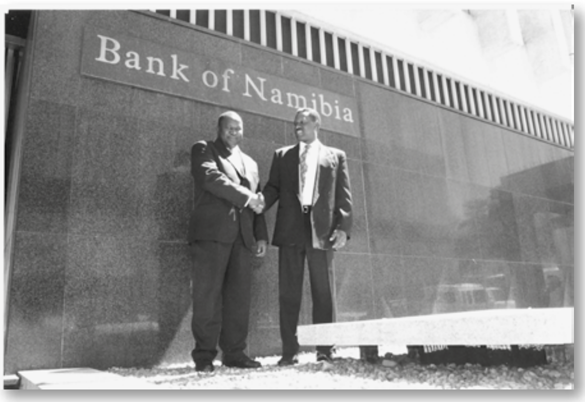
Mainly because of its membership of the CMA Agreement, the scope for independent monetary policy in Namibia is limited. However, it does not mean that the monetary policy of the Bank of Namibia has to be the same as that of the RSA at all times. CMA membership was meant to ensure stability and confidence in the economic and financial system of independent Namibia.

The CMA has the following dominant features:
- The NAD (and the currencies of Lesotho and Swaziland) are fixed to the ZAR on a one-to-one basis.
- An explicit requirement that at least a proportion of its monetary liabilities be backed by the reserve currency or other foreign assets.
- Contracting parties have the right to issue own currency and may also introduce measures for domestic savings mobilisation in the interest of developing their respective countries.
- Free flow of capital in the CMA.
- Harmonised exchange control provisions.

Notwithstanding the limited monetary policy scope imposed by the CMA Agreement, the arrangement has worked fairly well in ensuring stable and lower inflation rates in Namibia. Indeed, inflation in Namibia has been a single digit for most of the past five years.

For consultation purposes, the Governors of the CMA central banks meet regularly, usually before the meeting of the Monetary Policy Committee (MPC) of the SARB. At these occasions, Governors exchange information on the quarterly economic developments in their respective country's economies.

The CMA's Multilateral Monetary Agreement makes provision for the establishment of the CMA Commission. The Commission is tasked with facilitating and ensuring that CMA member states comply with the provisions of the Agreement. A key function of the Commission is to make sure that the formulation, modification and implementation of monetary and exchange rate policies are well coordinated within the CMA. Under normal circumstances, the CMA Commission should meet once a year. Furthermore, there are also quarterly CMA exchange control meetings.



Southern African Customs Union

The Bank of Namibia has been providing advice to the Ministry of Finance on revenue-sharing within the framework of SACU of which the members are Botswana, Lesotho, Namibia, the RSA and Swaziland. In this regard, the Bank attends meetings of SACU's Finance Technical Liaison Committee (FTLC) which is tasked to deal with the trade data reconciliation among the SACU member states and eventual revenue calculation on an annual basis. The FTLC then makes recommendations for approval to the SACU Commission and Council of Ministers on the allocation of revenue shares to SACU member states each financial year.

Due to this role in providing the advice on issues of SACU revenue, officials from the Research Department of the Bank of Namibia, in most instances, attend meetings of the Commission and Council of Ministers during which various issues such as regional integration, revenue-sharing, trade and industrial policy in the context of SACU are discussed. Apart from providing advice to government on revenue, the Bank's participation in the SACU forum is important because of the implication of the revenue from the SACU pool on Namibia's international reserves.

Southern African Development Community

Besides membership of the CMA, the Bank is also a member of the CCBG in SADC. SADC is made up of fifteen countries and includes Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar (membership pending), Malawi, Mauritius, Mozambique, Namibia, Seychelles, the RSA, Swaziland, Tanzania, Zambia and Zimbabwe. This Committee was established in 1995 specifically to facilitate and enhance regional cooperation in the area of central banking and related issues. The Committee reports regularly to the SADC Committee of Ministers of Finance and works very closely with the Committee of Senior Treasury Officials in SADC.

Since its inception, the CCBG has made good progress in implementing some of its programmes for enhanced financial cooperation in the region. The CCBG meets twice annually and through a number of technical subcommittees of central bank officials, has undertaken several initiatives aimed at enhancing monetary cooperation.

These are:
- the development of money and capital markets;
- the development of payment, clearing and settlement systems, exchange controls;
- information technology;
- bank supervision; and
- anti-money laundering.

Macroeconomic Convergence

One of the important initiatives of the CCBG was the drafting and signing of an MoU on Macro-economic Convergence, which outlined certain macroeconomic convergence criteria that had to be met by individual SADC countries from 2008 onward. The MoU is aimed at ensuring that all SADC member states pursue economic policies that ensure macroeconomic stability.

For example, the MoU has been annexed to the SADC Finance and Investment Protocol and in 2008, SADC member countries were required to:
- have single digit inflation rates;
- ensure that nominal value of public and publicly guaranteed debt as a ratio of the Gross
- Domestic Product (GDP) does not exceed 60 %; and
- ensure that the public budget deficit as a ratio of the GDP does not exceed 5%.

A key achievement of the CCBG was the development of a comprehensive macroeconomic statistical data base for all the participating SADC countries.

This information is issued in book form. It is updated regularly and has recently been published on the internet with a view to enable policy makers, including central bank governors, to gain a better understanding of the regional economic environment.

Further, a databank with information on issues such as legislation, central banks' relationships with governments, policy objectives, procedures and instruments of monetary policy, and internal administrative structures for each central bank in SADC, has been compiled.

Another notable initiative was the development and adoption of a model central bank law that aims at the standardisation and harmonisation of the legal and operational frameworks of SADC central banks. Essentially, the model law will serve as a guide for central banking legislation in the SADC region. The expectation is that all countries in SADC should align their central bank legislations with the model law as the region moves towards deeper financial and monetary integration.

Coordination of Exchange Control Policies

In the area of exchange controls, a Subcommittee on Exchange Control was established by the CCBG during March 1997 to facilitate the implementation of the SADC Regional Indicative Strategic Development Plan (RISDP). The RISDP is essentially a blueprint for deeper economic integration in SADC with specific targets and timelines.

At that stage, the SADC Exchange Control Committee did not exist. Therefore an MoU on Cooperation and Coordination of Exchange Control Policies in SADC was compiled by the subcommittee in 2004 and was signed by all 14 member states in 2006. The Bank of Namibia became a member as well as chair of the Subcommittee on Exchange Control in SADC in April 2005.

In the absence of the SADC Exchange Control Committee and pursuant to the implementation of Annexure 4 of the Finance and Investment Protocol (FIP), the Subcommittee on Exchange Control, under the chairmanship of Namibia finalised the draft policy framework for the liberalisation of exchange control in SADC during 2007.

It is worth noting that the CCBG Subcommittee on Exchange Control has been driving the liberalisation process from the CCBG point of view. From time to time, this subcommittee also takes on ad hoc projects as assigned by the CCBG with the view to ensuring that the work on the harmonisation of exchange control in the region in terms of the RISDP does not fall behind schedule.
Anti-Money Laundering and Combating the Financing of Terrorism

Apart from the activities discussed, the Bank of Namibia also provided input on the SADC Memorandum of Understanding on Anti-Money Laundering and Combating the Financing of Terrorism (AMLCFT). This MoU establishes a framework to facilitate sufficient convergence of the relevant policies, laws and regulatory practices to ensure that:
- state parties to the MoU act effectively and proportionately against money laundering and financing of terrorism; and
- the policies, laws and regulatory practices in the region meet and support the objectives of the SADC on the FIP.

Information Technology

The Bank of Namibia has been an active participant in the Information Technology Forum (ITF) of the CCBG which was established in 1997.
The objectives of this forum are two-fold:
- to support the projects and initiatives of the CCBG with information systems solutions; and
- to improve the Information and Communications Technology (ICT) function in each SADC central bank.

The key activities that the ITF engages in to achieve its objectives are divided into three areas namely: Business Continuity Management (BCM), regional ICT licensing strategy and information technology governance. The main aim of BCM is to prevent the various threats that can result in the disruption of business operations in SADC central banks. On the other hand, the aim of the ICT licensing strategy is to establish a group licence for SADC central banks to leverage support of common applications and obtain group volume discounts. The purpose of the information technology governance project is to address the needs of the CCBG and its subcommittees by means of improving information-gathering and sharing facilities, improving the facilities for effective communication between central banks, and providing various on-line business applications for central bank activities.

Banking Association

During the process of capacity building in the SADC region, the need was identified for a representative body for the banking industry within the region, hence the establishment of the Southern African Development Community Banking Association (SADCBA) in 1998 as a platform where private sector banks can interact with one another and with their respective authorities. The Bankers' Association of Namibia belongs to the SADCBA which has a close and constructive relationship with the CCBG. The SADCBA is usually invited to the annual meeting of the CCBG, where it briefs the Governors on progress and solicits their views and support on relevant issues.

Committee of SADC Stock Exchanges

The Namibian Stock Exchange (NSX) is a member of the Committee of SADC Stock Exchanges (COSSE) which was established in 1997. The main purpose of the COSSE was to pave the way for cross-border listings and therefore trading and investments among the different member exchanges, in order to facilitate the process of financial integration within the SADC region. COSSE reports to and holds regular meetings and discussions with the CCBG.

All these initiatives are in support of SADC objectives of regional economic integration and represent intermediate steps towards the goal of monetary cooperation and eventually a monetary union. Given that SADC has now explicitly stated its intention to establish a monetary union, it is clear that the various initiatives of the CCBG will underpin and facilitate that process.

Association of African Central Banks

The Bank of Namibia is a member of the Association of African Central Banks (AACB). This Association was established in 1965 with the purpose of monetary cooperation at the continental level. In addition, it was also intended to contribute towards the realisation of the goals of economic integration within the African continent.

The Association has an Assembly of Governors, the governing body comprising all member African Central Banks' Governors (ACBG); a Bureau (composed of the Chairperson and the Vice-Chairperson of the Association and Chairpersons of Subregional Committees); Subregional Committees (composed of Governors of Central Banks of the five subregions as defined by the AU). In addition to these organs, Governors decided to set up a Secretariat which is hosted by the Banque Centrale des Etats de l'Afrique de l'Ouest in Dakar, Senegal.

The Bank of Namibia acceded to the Article of the Association after independence. Since then, the Bank has been an active participant in the activities of the Association including participation in its annual meetings and seminars. The Bank hosted the meeting of the Assembly of Governors in August 2006 in Windhoek. In 2006/2007, Tom K Alweendo, the Governor of the Bank of Namibia, served as the Chairman of the Association. As Chairman, he assisted in setting the agenda of the Association including deliberations on the most suitable route to establish a continental central bank.

An important initiative and programme of the Assembly of Governors has been the adoption of the programme for monetary cooperation that identifies the successive stages for the establishment of a single monetary zone and a single currency for the continent. This programme envisages the harmonisation of the monetary cooperation programmes of the various subregional groupings as building blocks with the ultimate aim of evolving into a single monetary zone by the year 2021 with a common currency and a common central bank. In other words, it is a roadmap in which a step-by-step approach to the creation of monetary union was adopted. Generally activities planned during the first four stages spanning 2003 - 2016, include the establishment of subregional committees of the AACB, adoption by each subregion of a formal monetary integration programme, gradual interconnection of payments and clearing systems and observance of the macroeconomic indicators, amongst others. The final stage, 2016 - 2020, will see the finalisation of administrative and institutional arrangements required for the launching of the African Monetary Union, which will culminate in the launching of the common central bank and currency in 2021.

Although the five regions have reported good progress towards the achievement and establishment of the monetary union, a lot still has to be done. In addition, the AU has proposed a goal of achieving and establishing a monetary union earlier than the time proposed by the Governors. At the time of writing, this issue was still being debated.

Obviously, for a meaningful monetary integration process to take place, it is necessary that there should be sufficient macroeconomic convergence in the regions. Macroeconomic convergence refers to the converging of macroeconomic indicators including the rate of inflation, budget deficit and public debt, amongst others. If these indicators are moving in the same direction in the concerned countries, it is said that these countries are converging and as such are best candidates for monetary integration. In so far as the African continent is concerned, there is a great degree of economic divergence; thus the realisation of a continental bank may not be achieved soon, based purely on these criteria.

Microeconomic and Financial Management Institute

Cooperation between the Microeconomic and Financial Management Institute (MEFMI) and the Bank of Namibia largely revolves around capacity-building through training and technical assistance. In this regard, staff members of the Bank of Namibia participate in courses, workshops and the fellowship development programme offered by MEFMI. The training programmes entail key areas of intervention which are of relevance to the operations of the Bank of Namibia, namely macroeconomic management; financial sector management; debt management; and reserve management, amongst others. Apart from the provision of training to staff members, the Bank of Namibia also benefits from MEFMI in terms of technical assistance in some areas of its operations, such as inflation forecasting.

Eastern and South African Anti-Money Laundering Groups

The Bank also cooperates with Eastern and South African Anti-Money Laundering Groups (ESAAMLG) which is a financial action task force consisting of 14 member countries in eastern and southern Africa, committed to combat money laundering and the financing of terrorism within the ESAAMLG region.

International Financial Cooperation

Beyond the African continent, the Bank continues to interact with various international financial institutions, most notably the IMF, Bank for International Settlements (BIS) and the World Bank, amongst others.

International Monetary Fund

The IMF was conceived in 1944 with the primary objectives of promoting international financial co-optation including facilitation of growth in international trade, promotion of exchange rate stability and provision of funding for countries that experience temporary balance of payment difficulties. Further, the IMF monitors economic and financial developments and provides policy advice with the intention of preventing financial crises. It also provides countries with technical assistance and training in its areas of expertise. Currently the IMF has a global membership of 186 countries.

As the fiscal agent of the government, the Bank keeps records of the transactions between the IMF and the Government of Namibia. These transactions emanate from the country's shareholding at the Fund. In terms of the governance structure, the Namibian Minister of Finance is regarded by the IMF as the Governor with his alternate being the Governor of the Bank of Namibia. The Governor, in his capacity as alternative Governor attends the regular meetings of the IMF where policy issues are generally discussed.

Cooperation with the IMF has been largely limited to Article IV Consultations (Article IV Consultations are the medium through which the IMF consults annually with each member government and attempts to assess each country's economic health to forestall future financial problems) and technical assistance needs. The Bank has been a beneficiary of IMF technical assistance.

This assistance includes:
- the General Data Dissemination Standard Project which was created in 1997 to guide countries in the provision of comprehensive, timely, accessible and reliable economic, financial, and socio-demographic data; and
- more recently, the Financial System Assessment Programme - a joint initiative between the World Bank and the IMF.

The aims of this programme are to increase the effectiveness of efforts to promote the soundness of financial systems in member countries.
Work under the programme seeks to:

- identify the strengths and vulnerabilities of a country's financial system;
- determine how key sources of risk are being managed;
- ascertain the financial sector's development and technical assistance needs; and
- help prioritise policy responses.

The programme also forms the basis of Financial System Stability Assessments in which IMF staff address issues of relevance to IMF surveillance, including risks to macroeconomic stability stemming from the financial sector and the capacity of the sector to absorb macroeconomic shocks. Other assistance received from the IMF relates to issues of risk-based supervision and the payment system.

World Bank

As with the IMF, the interaction between the Bank of Namibia and the World Bank has been generally limited to issues of technical cooperation and capacity building. In this regard, the Bank has been a beneficiary of technical assistance from the World Bank in the areas of macroeconomic modelling and forecasting, policy research, and the prevention, detection and deterrence of anti-money laundering activities, amongst others.

In the area of economic modelling and forecasting, the World Bank and the Bank of Namibia organised a course in macroeconomic modelling in 2009. The course was attended by officials from the Bank of Namibia, the Ministry of Finance, the National Planning Commission (NPC), University of Namibia (UNAM) and the Development Bank of Namibia (DBN). The key objective was to build capacity of the above-mentioned institutions in the area of economic modelling. The World Bank sponsored four resource persons who conducted the training. A further course focusing on the Computable General Equilibrium Model was conducted in the second half of 2009. This assistance was critical as it will lead to the eventual development and setting up of a Computable General Equilibrium Model for Namibia, which can be used for wide economy impact analysis.

World Bank and the Impact of HIV/AIDS

In general economic research, the World Bank funded the technical assistance for the study undertaken by the Bank of Namibia on the impact of HIV/AIDS on the financial sector. The technical assistance was to assist the Bank in measuring the impact of HIV and AIDS on the banking as well as non-banking financial sector of Namibia. The World Bank funded the cost of the consultants who worked with the Research Department in carrying out an actuarial assessment of HIV/AIDS and the modelling of the impact of HIV and AIDS on the banking and non-banking financial sector.

World Bank and the United Nations

Both the World Bank and the United Nations Office against Drugs and Crime assisted and mentored the Bank's officials with the development of Namibia's AMLCFT legislative framework as far as it relates to the Regulations under Namibia's Financial Intelligence Act, 2007. Further, the World Bank assisted the Bank of Namibia with the development of organisational activities of the FIC, including establishing operational procedures, developing financial analysis capability, advising on issues relating to operational independence of the FIC and its security aspects and related data. Further assistance on the operational aspects of the reporting and management of suspicious transactions from reporting institutions as well as support capacity building were also provided.

With the exception of cooperation in the areas of economic research and anti-money laundering, the Bank of Namibia also cooperates with the World Bank in terms of capacity building for reserve management. In this regard, the Financial Markets Department of the Bank of Namibia has been participating in the Reserves Advisory and Management Programme from the Treasury Department of the World Bank. This programme has enabled the Bank of Namibia to enhance its strategic assets allocation, capacity building and portfolio management processes.

Bank for International Settlements

The Bank of Namibia aligns its supervisory standards with the standards of the Basel Committee on Banking Supervision - an initiative spearheaded by the Bank for International Settlements. The Basel Committee on Banking Supervision provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. It seeks to do so by exchanging information on national supervisory issues, approaches, and techniques, with a view to promoting common understanding. The Committee uses this common understanding to develop guidelines and supervisory standards in areas where they are considered desirable. In this regard, the Committee is best known for its international standards on capital adequacy and the Core Principles for Effective Banking Supervision to which Namibia adheres.

Cooperation with other Institutions

The Bank of Namibia maintains cooperation arrangements with other international institutions such as the World Trade Organisation (WTO), the Macroeconomic and Financial Management Institute of Eastern and Southern Africa, the ESAAMLG and several central banks.

With regard to the WTO, the Bank of Namibia provides the relevant information within its mandate through the Trade Policy Review Mechanism (TPRM). The TPRM generally involves the surveillance of national trade policies and is a fundamentally important activity running throughout the work of the WTO. The objectives of the TPRM as expressed in Annexure 3 of the Marrakesh Agreement include facilitating the smooth functioning of the multilateral trading system by enhancing the transparency of members' trade policies.

The TPRM also contributes to improved adherence by all members to rules, disciplines and commitments made under the Multilateral Trade Agreements and, where applicable, the Plurilateral Trade Agreements, and hence to the smoother functioning of the multilateral trading system, by achie-ving greater transparency in and understanding of the trade policies and practices of members.

All WTO members are subject to review under the TPRM. In general, the four members with the largest shares of world trade (currently the EU, the United States, Japan and China) are reviewed every two years, the next 16 are reviewed every four years, and others are reviewed every six years. A longer period may be fixed for least-developed member countries.

The review mechanism enables the regular collective appreciation and evaluation of the full range of trade policies and practices of individual members and their impact on the functioning of the multilateral trading system. It is not, however, intended to serve as a basis for the enforcement of specific obligations under the Agreements or for dispute settlement procedures, or to impose new policy commitments on members.

In the area of cooperation with other central banks, a delegation of seven senior officials from the People's Bank of China (i.e. China's Central Bank) led by their Deputy Governor Su Ning visited the Bank of Namibia during October 2006. This was a reciprocal visit because Governor Tom K Alweendo had earlier visited that Bank. The purpose of the visit was to further strengthen ties between the two central banks in the area of economic policy management and more specifically central banking matters. During the visit critical issues pertaining to the conduct of monetary policy in Namibia and China, payment systems reform and the country's economic performance were discussed.

The Bank of Namibia also hosted a seminar on inflation forecasting in collaboration with the Centre for Central Banking Studies of the Bank of England in September 2009. This workshop built and strengthened modelling and forecasting capacity, especially in the area of inflation forecasting.

At the operational level, the Bank maintains foreign exchange and money market accounts with a number of institutions abroad such as the Bank for International Settlements, Bank of England, the Federal Reserve Bank of New York, Bank of Tokyo Mitsubishi Ltd, Westpac Banking Corporation, Union Bank of Switzerland, Nordea Bank Sweden and the SARB. It also has correspondent status relationships with Dresdner Bank Frankfurt, Citi Bank New York and First National Bank of South Africa.

The Bank of Namibia has established and maintains strong relations with many regional and international organisations as detailed above. Besides the institutions mentioned, the Bank also interacts with individual central banks, especially in SADC. With the intensification of regional integration and globalisation processes, it is given that the Bank will continue to pursue cooperation with both regional and international institutions so as to influence the relevant agenda.

Part A:

Operations and Affairs of the Bank

ORGANISATIONAL STRUCTURE OF THE BANK OF NAMIBIA

Members Of The Board

As At 31 December 2021

Mr Johannes !Gawaxab

Governor of the Bank of Namibia | Chairperson of the Board

TERM

Incumbent since June 2020
Renewed until 31 December 2026

QUALIFICATIONS

- Master of Arts (MA) (Graduate Business School, Kingston)
- Bachelor of Arts (BA) and Master of Business Leadership (University of South Africa (UNISA)
- Certificate in Global Leadership (London School of Business)
- Advanced Management Program (Harvard Business School)

YEARS OF EXPERIENCE

44

EXPERTISE

- Financial Services
- Finance
- Financial Economics
- Investments
- Governance

Mr Ebson Uanguta

Deputy Governor of the Bank of Namibia | Executive Member of the Board

TERM

Incumbent since 1 January 2012
Previous term ended 31 December 2021.
Renewed until 31 December 2026

QUALIFICATIONS

- Master of Science (MSc) in Economic Policy Analysis (Addis Ababa University (AAU))
- Bachelor of Economics (University of Namibia (UNAM)
- Advanced Management Program (Harvard Business School)
- Senior Executive Fellow (Harvard-KSG)
- Senior Management Programme (University of Stellenbosch (US)
- Project Management Programme (US)

YEARS OF EXPERIENCE

25

EXPERTISE

- Economic policy research
- Central banking
- Public policy
- Leadership and corporate governance

Ms Ericah Shafudah

Executive Director of the Ministry of Finance | Ex officio Member of the Board

TERM

Incumbent since 3 April 2010
Retired 1 August 2021

QUALIFICATIONS

- MSc Ed (Mathematics)
- MSc Biostatistics
- MSc in Leadership and Change Management
- Diploma in Accounting and Finance
- Advanced Management Program (Harvard Business School)

YEARS OF EXPERIENCE

25

EXPERTISE

- Accounting
- Finance
- Public policy
- Governance

Adv. Charmaine van der Westhuizen

Non-Executive Member of the Board | Member of the Audit Committee
Member of the Remuneration Committee

TERM
Incumbent since 30 May 2012
Current term ends 31 January 2023

QUALIFICATIONS
- Master of Business Administration (MBA) (cum laude) (US)
- LLB (US)

YEARS OF EXPERIENCE
18

EXPERTISE
- Commercial and related litigation
- Arbitration
- Leadership development
- Corporate governance

Ms E. Shangeelao Tuyakula Haipinge

Non-Executive Member of the Board | Member of the Remuneration Committee

TERM
Incumbent since 18 July 2014
Current term ends 31 December 2023

QUALIFICATIONS
- MBA Corporate Strategy and Economic Policy (Maastricht School of Management, The Netherlands)
- Diploma in Personnel Management (Polytechnic of Namibia / Namibia University of Science and Technology (PoN/NUST)
- Specialised Training in Senior Management Development Programme (US)
- Project Management Estara Skills Development (Bloemfontein, SA / Namibia)
- Driving Government Performance (Harvard-KSG)
- Leadership, Innovation, and Change Management (US NIPAM)
- Commonwealth Advanced Online Training Programme in Government Performance Management System (Obtained Award for Excellence)

YEARS OF EXPERIENCE
29

EXPERTISE
- Strategic human resources management
- Training and development
- Course facilitation
- Strategic planning
- Policy formulation
- Performance management

Mr Apollus Christiaan Baisako

Non-Executive Member of the Board | Chairperson of the IT Governance Committee

TERM
Incumbent since 1 February 2019
Current term ends 31 January 2023

QUALIFICATIONS
- MSc Information Systems Engineering (University of Manchester, UK)
- BSc Computer Science and Mathematics (UNAM)

YEARS OF EXPERIENCE
27

EXPERTISE
- Leadership
- Information technology

Mr Ehrenfried Meroro

Non-Executive member of the Board | Member of the Audit Committee
Chairperson of the Remuneration Committee | Member of the IT Governance Committee

TERM
Incumbent since 1 February 2019
Current term ends 31 January 2023

QUALIFICATIONS
- MSc Economics (A & T State University, North Carolina, USA)
- BSc Economics (A & T State University, North Carolina, USA)
- Economic Analysis of Structural Adjustments (Word Bank)
- Financial Programming and Analysis (IMF)
- Senior Management Programme (US)
- Advanced Course for Research Economists (Switzerland)
- Risk Management Training (Intuition Web)

YEARS OF EXPERIENCE
30

EXPERTISE
- Risk management
- Economic policy research
- Currency management
- Banking regulation

Mr Fanuel Tjivau *Deceased

The Bank's Senior Management Team

As At 31 December 2021

Mr Johannes !Gawaxab

Governor of the Bank of Namibia | Monetary Policy Committee (MPC) member

QUALIFICATIONS
- Master of Arts (MA) (Graduate Business School, Kingston)
- Bachelor of Arts (BA) and Master of Business Leadership (University of South Africa (UNISA)
- Certificate in Global Leadership (London School of Business)
- Advanced Management Program (Harvard Business School)

YEARS OF EXPERIENCE
44

EXPERTISE
- Financial Services
- Finance
- Financial Economics
- Investments
- Governance

Mr Ebson Uanguta

Deputy Governor of the Bank of Namibia | MPC member

QUALIFICATIONS
- Master of Science (MSc) in Economic Policy Analysis (Addis Ababa University (AAU))
- Bachelor of Economics (University of Namibia (UNAM)
- Advanced Management Program (Harvard Business School)
- Senior Executive Fellow (Harvard-KSG)
- Senior Management Programme (University of Stellenbosch (US)
- Project Management Programme (US)

YEARS OF EXPERIENCE
25

EXPERTISE
- Economic policy research
- Central banking
- Public policy
- Leadership and corporate governance

Ms Leonie Dunn*

Director: Financial Intelligence Centre

QUALIFICATIONS
- M Banking (UL)
- LLB (US)
- Admitted Legal Practitioner of the High Court and the Supreme Court of Namibia
- Women in Leadership Development (US)
- International Executive Development Programme (WBS/LBS)
- International Leaders Programme (Her Majesty's Foreign and Commonwealth Office, UK)

YEARS OF EXPERIENCE
23

EXPERTISE
- Commercial, Civil, Administrative, criminal law and Public International Law
- Financial services regulation
- Financial market integrity
- Policy and legislative development and implementation
- Anti-money laundering / counter-terrorism financing / counter-proliferation financing CPF compliance, monitoring, supervision, administrative enforcement and strategic analyses establishment
- Financial intelligence unit strategic leadership
- Central Banking Executive Leadership

**Appointed as Deputy Governor as from the 1st January 2022.*

Ms Florette Nakusera
Director: Research and Financial Stability | MPC member

QUALIFICATIONS
- MComm Economics (US)
- Hons. BComm Economics (US)
- BComm (UNAM)
- Executive Development Programme (US)
- International Executive Development Programme (WBS/LBS)

YEARS OF EXPERIENCE
23

EXPERTISE
- Macroeconomic policy
- Economic research and statistics
- Central banking
- Finance
- Strategic management
- Leadership and corporate governance
- Environmental economics and policy

Mr Emile van Zyl
Technical Advisor to the Governor | MPC member

QUALIFICATIONS
- MComm Economics (University of Pretoria (UP))

YEARS OF EXPERIENCE
37

EXPERTISE
- Economics
- Banking
- Financial markets

Mr Kuruvilla Mathew
Senior Advisor to the Governor

QUALIFICATIONS
- MSc Accounting (University of Glamorgan, UK)
- Chartered Certified Accountant (Fellow Member of the Association of Chartered Certified Accountants (FCCA), UK)
- International Executive Development Programme (WBS/LBS)

YEARS OF EXPERIENCE
32

EXPERTISE
- Financial management
- Management accounting
- Financial reporting
- Procurement
- Facilities and asset management

Ms Lea Namoloh
Director: Human Resources

QUALIFICATIONS
- MBA (Maastricht University, Netherlands)
- MEd (UNAM)
- BEd (Honours), Bristol UK
- International Executive Development Programme (University of the Witwatersrand)
- Diploma in Teaching English as a Foreign Language (University of Edinburgh)
- Certificate Board of Directors (US)

YEARS OF EXPERIENCE
28

EXPERTISE
- Human resources management
- Project management
- Currency management
- Banking services
- Strategic leadership

Mr Romeo Nel
Director: Banking Supervision

QUALIFICATIONS
- M Banking (UL)
- BEcon (UNAM)
- P/G Intermediate Certificate Accountancy (University of KwaZulu-Natal)
- International Executive Development Programme (WBS/LBS)

YEARS OF EXPERIENCE
29

EXPERTISE
- Customs and excise
- Finance
- Financial Analysis
- Compliance Management
- Banking regulation
- Risk management
- Strategy and Corporate Governance

Mr Bryan Eiseb
Director: Exchange Control and Legal Services

QUALIFICATIONS
- LLM Corporate Law (UNISA)
- LLB Hons (UNAM)
- BJuris (UNAM)
- Diploma in Police Science (NUST)
- Legal Practitioner of the High Court of Namibia
- Certificate Senior Management Development (US)
- Certificate International Executive Development (WBS/LBS)
- Certificate Central Bank Governance (Deutsche Bundesbank)
- Certificate Digital Leadership (Deloitte Leadership)
- Certificate Leadership in Corporate Legal Counsel (Harvard Law School)

YEARS OF EXPERIENCE
32

EXPERTISE
- Corporate law
- Banking law
- Corporate governance
- Criminal investigations
- Corporate security management
- Exchange control administration
- Currency Production

Ms Barbara Dreyer
Director: Payment and Settlement Systems

QUALIFICATIONS
- MBA (SMC University)
- MEd (State University of New York – Buffalo)
- BA Hons and BEd (UWC)
- P/G Diploma Social Science Research Methods (US)
- P/G Diploma Higher Education (UWC)
- Fellow at the Fletcher School Leadership Program for Financial Inclusion (2013) (Tufts University, Boston, MA)
- International Executive Development Programme (Wits, LBS)

YEARS OF EXPERIENCE
30

EXPERTISE
- Payment systems strategy
- Payment systems risk management
- Payment systems policy and regulation development and implementation
- Corporate governance
- Human resources management strategy
- Remuneration strategy and organisation development
- Strategic management and leadership
- Knowledge management

Mr Marsorry Ickua
Director: Information Technology

QUALIFICATIONS
- MSc Information Systems Management (University of Liverpool, UK)
- Diploma PC Support (Boston City Campus, SA)
- Diploma Business Computing (SA)
- Management Development Programme (US)
- International Executive Development Programme (WBS/LBS)

YEARS OF EXPERIENCE
19

EXPERTISE
- Information technology, strategy, and governance
- Technology innovation
- Programme management
- Information technology security management
- Resource planning and Information Technology (IT) risk
- Disaster recovery and business continuity management

Mr Nicholas Mukasa
Director: Financial Markets | MPC member

QUALIFICATIONS
- Bachelor of Business Administration (UNAM)
- Chartered Financial Analyst, (CFA)
- Senior Management Development Programme (US)
- Postgraduate Diploma Financial Management (Heriot Watt)

YEARS OF EXPERIENCE
19

EXPERTISE
- Portfolio management
- Financial analysis
- Asset valuation
- Capital markets
- Reserves management
- Risk management

Dr Emma Haiyambo
Director: Strategic Communications and Financial Sector Development | MPC member

QUALIFICATIONS
- PhD Development Finance (US)
- MSc Financial Economics (University of London)
- M International Business (PoN/NUST)
- P/G Diploma in Financial Economics (University of London)
- BEcon (UNAM)
- Diploma in Public Administration (PoN/NUST)
- Fellow at the Fletcher School Leadership Program for Financial Inclusion (2017), Tufts University, Boston, MA
- Certified Expert in Financial Inclusion Policy (Frankfurt School of Finance and Management)
- International Executive Development Programme (WBS/LBS)
- Management Development Programme (US)

YEARS OF EXPERIENCE
25

EXPERTISE
- Macroeconomic research and statistics
- Financial sector development
- Development finance
- Project management
- Strategic planning and management
- Corporate governance

Ms Sencia Kaizemi-Rukata
Director: Banking Services

QUALIFICATIONS
- MComm Business Management (cum laude) (UNISA)
- Hons BComm Business Management (UNISA)
- BComm with specialisation in Human Resources Management (UNISA)
- National Diploma Commerce (NUST)
- National Secretarial Certificate (NUST)
- Specialised training in Foundational Payment Systems (Payments Association of South Africa)
- Specialised training in Banknote Production, Joh Enschede, Netherlands
- Senior Management Development Programme (US)

YEARS OF EXPERIENCE
24

EXPERTISE
- Commercial and Central Banking
- Currency Management
- Banking Services
- Strategic Payment Systems Management
- Leadership and Corporate Governance

Ms Johanna Iiyambula
Director: Finance and Administration

QUALIFICATIONS
- Bachelor of Accounting (UNAM)
- BCompt (Honours) CTA (UNISA)
- Qualified Chartered Accountant (ICAN & SAICA)
- Management Development Programme (USB)
- International Executive Development Programme (WBS/LBS)

YEARS OF EXPERIENCE
21

EXPERTISE
- Financial accounting and reporting (International Financial Reporting Standards)
- Management accounting
- Financial management
- Auditing
- Indirect tax (VAT)

Ms Magreth Tjongarero

Head: Risk Management and Assurance

QUALIFICATIONS

- BAcc (UNAM)
- International Executive Development Programme (WBS/LBS)
- ISO22301:2012 Business Continuity Management Systems: Lead Implementer

YEARS OF EXPERIENCE

21

EXPERTISE

- Auditing
- Credit risk auditing
- Risk management
- Business continuity

Management Structure

As at 31 December 2021

- **Governor** – Johannes !Gawaxab
  - **Deputy Governor** – Ebson Uanguta
    - **Director of Information Technology** – Marsorry Ickua
      - *Deputy Director: Business Systems* – Martha Dama
      - *Deputy Director: IT Infrastructure* – Paulus Tshiningayamwe
    - **Director of Payment and Settlement Systems** – Barbara Dreyer
      - *Deputy Director: NISS Operations & Projects* – Peter Nghinyotwa
      - *Deputy Director: Oversight, Policy & Research* – Candy Ngula
    - **Director of Finance & Administration** – Johanna Iiyambula
      - *Deputy Director: Financial Administration* – John Amakali
      - *Deputy Director: Procument and Facilities Management* – David Kambinda
      - *Deputy Director: Treasury* – Vernon Louw
    - **Director of Banking Services** – Sencia Kaizemi-Rukata
      - *Deputy Director: Currency & Banking* – Cindy Fillipus
      - *Deputy Director: Protection Services* – Johannes Asino
      - *Oshakati Branch Manager* – Phillip Ndjendja
    - **Director of Banking Supervision** – Romeo Nel
      - *Deputy Director: Onsite Examination* – Ancois Plaatje
      - *Deputy Director: Policy & Regulations* – Elifas Kamati
      - *Deputy Director: Off-site Analysis* – Imanuel Hawanga
    - **Director: Exchange Control & Legal Services** – Bryan Eiseb
      - *Deputy Director: Legal Services & Contract Management* – Tulonga Nakamhela
      - *Deputy Director: Exchange Control* – Penelao Kapenda
  - **Director of Strategic Comm. & Financial Sector Development** – Emma Haiyambo
    - *Deputy Director: Corporate Communications* – Israel Zemburuka
  - **Director of Financial Intelligence Centre** – Leonie Dunn
    - *Deputy Director: Investigations & Analysis* – Gerrit Eiman
    - *Deputy Director: Legal, Policy, Regulation & Enforcement* – Zenobia Barry
    - *Deputy Director: Compliance, Monitoring, Supervision & Strategic Analysis* – Kristian Hamutenya
  - **Director of Research & Financial Stability** – Florette Nakusera
    - *Deputy Director: Macro Models & Financial Stability* – Postrick Mushendami
    - *Deputy Director: Policy Research & International Affairs* – Erwin Naimhwaka
    - *Deputy Director: Macroeconomic Statistics and Analysis* – Sanette Schulze Struchtrup
  - **Director of Financial Markets** – Nicholas Mukasa
    - *Deputy Director: Investments & Domestic Markets* – Helvi Fillipus
    - *Deputy Director: Compliance and Risk Analytics* – (Vacant)
  - **Director of Human Resources** – Lea Namoloh
    - *Deputy Director: HR Admin & Employee Relations* – Theopoline Veii
    - *Deputy Director: OD & Training* – Shirene Bampton
  - **Technical Advisor to the Governor** – Emile van Zyl
  - **Head of Risk Management and Assurance** – Magreth Tjongarero
  - **Senior Advisor to the Governor** – Kuruvilla Mathew

GOVERNANCE

OBJECTIVES AND ACCOUNTABILITY OF THE BANK

The Bank of Namibia is the central bank of the Republic of Namibia, created under Article 128(1) of the Namibian Constitution. The Constitution mandates the Bank of Namibia ("the Bank") to serve as the principal instrument of the Government of the Republic of Namibia ("the Government") to control money supply, the currency and banking institutions, and any other financial institutions. The objectives of the Bank as defined in the Bank of Namibia Act (No. 1 of 2020) are, inter alia:

- to promote and maintain a sound monetary, credit and financial system in Namibia and sustain the liquidity, solvency, and functioning of that system;
- to promote and maintain internal and external monetary stability and an efficient payment mechanism;
- to foster monetary, credit and financial conditions that are conducive to the orderly, balanced and sustained economic development of Namibia;
- to serve as the Government's banker, financial advisor and fiscal agent; and
- to assist in the attainment of national economic goals.

In addition, the Bank fulfils other key functions as defined in other Acts, including:

- the Banking Institutions Act (No. 2 of 1998), as amended, which empowers the Bank to regulate and supervise banking institutions;
- the Payment System Management Act (No. 18 of 2003), as amended, which provides for the management, administration, operation, regulation, oversight and supervision of payment, clearing and settlement systems in Namibia, as well as for incidental matters;
- the Financial Intelligence Act (No. 13 of 2012), as amended, which obliges the Bank to provide administrative services to the Financial Intelligence Centre of the Republic of Namibia;
- the Currency and Exchanges Act (No.9 of 1933), as amended, which regulates exchange control in Namibia; and
- the Deposit Guarantee Act (No. 16 of 2018), which obliges the Bank to provide certain administration and support services to the Deposit Guarantee Authority.

In line with section 3(b) of the Bank of Namibia Act, the Bank performs its functions independently, subject to regular consultation with the Minister of Finance. The relationship between the Government, as sole shareholder, and the Bank is broadly defined in the Act. The Bank's specific obligations are clearly defined in a Memorandum of Understanding entered into between the Ministry of Finance and the Bank. The Memorandum covers the terms and conditions of banking services rendered to the Government, public debt management arrangements, and the nature and frequency of consultations. The Minister of Finance and the Governor of the Bank also hold regular consultations on relevant matters.

The 2020 Bank of Namibia Act incorporates a range of stipulations relevant to up-to-date central banking. The new Act repealed the Bank of Namibia Act (No. 15 of 1997) and the Bank of Namibia Amendment Act (No. 11 of 2004). In terms of the new Act, the Bank is explicitly entrusted with responsibility for macro-prudential oversight, including the establishment of a Financial System Stability Committee.

CORPORATE CHARTER

Apart from its statutory mandate, the Bank's actions and the manner in which it carries out its mandate are guided by its Mission Statement and Vision Statement, as detailed in its Corporate Charter. The Bank's Vision portrays the desired state of the Bank with respect to how the institution would like to carry out its Mission. The Mission defines the fundamental purpose of the Bank, describing why it exists and the importance of achieving the Vision. The Bank's Values express the essence of the culture and beliefs that are shared among its stakeholders. The Values drive the Bank's culture and articulate the code of conduct that guides the Bank in mobilising all its resources in pursuit of its Mission and Vision. All the Bank's stakeholders are expected to conform to and identify with these standards and principles relating to ethical behaviour and excellence. The Charter strives to promote a sense of shared expectations among all levels and generations of employees regarding the Mission, the Vision, and standards of ethical behaviour.

STRATEGIC OBJECTIVES 2017–2021

The Bank's Strategic Objectives are linked to its Mission and functional priorities. Eight principal objectives are derived from the Mission and Vision and reflect the Bank's desire to meet its statutory mandate. The Strategic Objectives essentially refer to what the Bank aspires to achieve. The Strategic Objectives are to:

- safeguard and enhance financial stability;
- promote price stability;
- manage reserves prudently;
- provide currency, Government debt issuance and banking services;
- promote a positive reputation;
- promote financial sector development;
- enhance the Bank's contribution towards sustainable economic growth; and
- optimise organisational efficiency and cost-effectiveness.

Measurable strategies are designed with clear outcomes to achieve the eight Strategic Objectives. Thus, to ensure successful Strategic Plan implementation, the Strategic Objectives have been dissected into areas of concentration, with clear and measurable targets. The Directors of the various departments report biannually on progress in their areas of concentration and the achievement of their targets. The entire Strategic Plan is reviewed and refreshed annually. It is therefore important not only to design strategies that can be engaged in pursuit of these objectives, but also to clearly describe the strategic outcomes that would reveal whether a particular objective has been met. To promote ownership of the Strategic Plan and to attain performance excellence, the areas of concentration are rolled out across the board through a Performance Management System. Individual performance goals are crafted for each employee, and performance progress is evaluated by means of performance appraisals. The section titled "The Year in Review" in this report explains the activities and progress under each of the eight Strategic Objectives during the review period. As the current strategy is coming to an end, a new plan will be implemented as from 2022.

ACCOUNTABILITY

The Bank is committed to good governance practices and accountability to the public. It is of paramount importance that the Bank always remains accountable to the public at large by adhering to sound corporate governance principles. Relevant legislation and the Bank's Corporate Charter and Strategic Plan are amongst the tools that guide the Bank in living up to the standards of good governance. The Bank also strives to be transparent by putting in place a concrete communication strategy that enables open and clear expression of why and how the Bank acts as it does. The aspects of good governance that the Bank is committed to meet include:

- being responsible, respected, trustworthy, and credible;
- being accountable to its shareholders and the Namibian people;
- demonstrating an exceptionally high degree of integrity;
- ensuring that its actions and policies are efficient, effective, and transparent;
- maintaining professionalism and excellence in the delivery of its services; and
- being flexible and forward-looking in its approach, while still avoiding undue risks.

THE GOVERNOR

The Governor serves the Bank as its Chief Executive Officer and is accountable to the Board for the management of the Bank and the implementation of its policies. The Governor also represents the Bank in its relations with the Government and other institutions. In most other matters, comprehensive and Board-approved delegations of power are in place to enable the Governor and his delegates to carry out their duties related to the implementation of policies. Ordinarily, the Governor is appointed for a five-year term. The Act sets specific criteria for the appointment, reappointment, and dismissal of a Governor. The current incumbent, Mr. Johannes !Gawaxab, was reappointed for a five-year term, effective from 1 January 2022 to 31 December 2026.

THE BOARD OF THE BANK OF NAMIBIA

The Board is responsible for the policies, internal controls, risk management and general administration of the Bank. In addition to their typical fiduciary duties, Board members are also charged with many high-level responsibilities directly related to the policies and operations of the Bank, including approving the licensing of banking institutions and ensuring the prudent management of international reserves. In addition, the Board is responsible for approving the Bank's financial statements and annual budget, promoting effective corporate governance practices, and monitoring internal controls and risk management frameworks.

The Bank's Board members are appointed by the President of the Republic of Namibia. They consist of executive members, one ex officio member (non-executive), and a minimum of five and a maximum of six further non-executive members. The Governor (Chairperson) and the Deputy Governors are the executive members, while the Executive Director of the Ministry of Finance is the ex officio member. In addition, not less than five but not more than six non-executive members of the Board are appointed in line with requirements.

The Board meets regularly (at least four times a year) with the main purpose of overseeing and monitoring the Bank's finances, operations and policies. During 2021, four ordinary and three special Board meetings were held. Table A.1 below sets out the dates of Board meetings and the attendance of members during 2021.

TABLE A.1 FREQUENCY AND ATTENDANCE OF BOARD MEETINGS, 2021

BOARD MEMBER	11 MARCH	28 MAY	01 SEPTEMBER	15 OCTOBER (SPECIAL)	18 NOVEMBER (SPECIAL)	26 NOVEMBER	09 DECEMBER (SPECIAL)
Mr J. !Gawaxab Chairperson	✓	✓	✓	×	×	✓	×
Mr E. Uanguta	✓	✓	✓	✓	✓	✓	×
Ms E. Shafudah*	✓	×	R	R	R	R	R
Ms E. Haipinge	×	✓	✓	✓	✓	✓	✓
Adv C. van der Westhuizen	✓	×	✓	✓	×	✓	✓
Mr A. Baisako	✓	✓	✓	✓	✓	✓	✓
Mr F. Tjivau**	✓	✓	D	D	D	D	D
Mr E. Meroro	✓	✓	✓	✓	✓	✓	✓

✓ = attended; × = apology; D = Deceased; R= Retired

*Ms E. Shafudah retired in August 2021 and will be replaced by the newly appointed Executive Director of the Ministry of Finance.

**A Chartered Accountant who previously served as the Bank's Audit Committee Chairperson was engaged as a Consultant to fill any skills gap.

The Board delegates certain functions to its sub-committees (the IT Governance Committee, the Audit Committee, and the Remuneration Committee), which are important elements of the Bank's sound corporate governance structure. All three sub-committees have been established through formal terms of reference and report to the Board. The Board can assure stakeholders that the sub-committees held several meetings during the period under review and that they met their respective obligations in all material respects.

The IT Governance Committee (ITGC) was established to assist the Board in discharging

IT-related duties and responsibilities. The purpose of the Committee is to perform a strategic oversight role to ensure alignment of the IT strategy with the Bank's strategy through the approval, prioritisation and monitoring of strategic IT projects and initiatives for value creation, risk mitigation and resources assessments. The ITGC is comprised of three non-executive Board members, and its meetings are held quarterly. The dates of the ITGC meetings and the attendance of members during 2021 are set out in Table A.2.

TABLE A.2 DATES AND ATTENDANCE OF ITGC MEETINGS, 2021

IT GOVERNANCE COMMITTEE MEMBER	25 FEBRUARY	20 MAY	19 AUGUST	09 NOVEMBER
Mr. C. Baisako (Chairperson)	✓	✓	✓	✓
Mr E. Meroro	✓	✓	✓	✓
Mr. F. Tjivau	✓	✓	D	D

The Audit Committee is responsible for evaluating the adequacy and efficiency of the Bank's corporate governance practices, including its internal control systems, risk control measures, accounting standards, and auditing processes. Three independent non-executive Board members currently serve as members of the Audit Committee, whose meetings are also attended by the Bank's Deputy Governor, Director: Finance, and Head of Risk Management and Assurance; the external auditors; and relevant staff members. In general, the Audit Committee is responsible for considering all audit plans and the scope of external and internal audits to ensure that the coordination of audit efforts is optimised. The Audit Committee is also required to introduce measures to enhance the credibility and objectivity of financial statements and reports prepared regarding the affairs of the Bank, and to enhance the Bank's corporate governance, with emphasis on the principles of accountability and transparency. Table A.3 below sets out the dates of the Audit Committee meetings and the attendance of the Bank's members during 2021.

TABLE A.3 DATES AND ATTENDANCE OF AUDIT COMMITTEE MEETINGS, 2021

AUDIT COMMITTEE MEMBER	26 FEBRUARY	09 MARCH	21 MAY	20 AUGUST	12 NOVEMBER
Mr F. Tjivau (Chairperson)	✓	✓	✓	D	D
Mr E. Meroro	✓	✓	✓	✓	✓
Adv C. van der Westhuizen (Acting Chairperson for the last 2 meetings)	✓	✓	✓	✓	✓

The Remuneration Committee is responsible for overseeing and coordinating the Bank's remuneration policy and strategy to ensure its competitiveness and comprehensiveness, so as to attract and retain quality staff and Board members. This Committee consists of three non-executive Board members and the Deputy Governor. The dates of the Remuneration Committee meetings and the attendance of members during 2021 are set out in Table A.4.

TABLE A.4 DATES AND ATTENDANCE OF REMUNERATION COMMITTEE MEETINGS, 2021

REMUNERATION COMMITTEE MEMBER	20 APRIL	11 AUGUST	10 NOVEMBER
Mr E. Meroro (Chairperson)	✓	✓	✓
Mr E. Uanguta	✓	✓	✓
Ms T. Haipinge	✓	✓	✓
Adv. C. van der Westhuizen	✓	✓	✓

MANAGEMENT STRUCTURE

The Bank's Senior Management Team as at the end of 2021 consisted of the Governor, the Deputy Governor, the Advisor(s) to the Governor, and the Directors of the Bank's various departments, as outlined above. To ensure that the Bank implements its policies effectively, various committees have been created. These are the Monetary Policy Committee, the Financial System Stability Committee, the Macroprudential Oversight Committee, the Management Committee, the Investment Committee, the Risk Management Committee, the Digital Transformation and Innovation Committee, the Budget Committee, the Tender Committee, and the Information Technology Management Committee.

The function of the Monetary Policy Committee (MPC) is to implement an appropriate monetary policy stance. The MPC consists of the Governor (Chairperson), the Deputy Governor, the Technical Advisor to the Governor, the Director of the Research and Financial Stability Department, the Director of the Financial Markets Department, the Director of the Strategic Communications and Financial Sector Development Department, and the Technical Expert in the Research and Financial Stability Department. The MPC normally meets every second month to deliberate on an appropriate monetary policy stance to be implemented by the Bank in the subsequent two-month period. Decision-making in the MPC is by consensus. The monetary policy decision is communicated to the public through a media statement delivered at a media conference.

The Financial System Stability Committee assesses the vulnerability and risk exposure of the entire financial system. It is an inter-agency body set up between the Bank and the Namibia Financial Institutions Supervisory Authority (NAMFISA), with the Ministry of Finance as an observer. The Committee is made up of the Governor (Chairperson); the Deputy Governors; the Chief Executive Officer (CEO) of NAMFISA (Deputy Chairperson), and a representative of the Ministry of Finance nominated by the Minister. In addition, the Bank nominates two of its own senior staff members, and the CEO of NAMFISA nominates not more than three officials from NAMFISA, of whom at least one must be a senior staff member. The Committee meets on a quarterly basis to assess the potential risks that apply to the financial system, and to discuss and recommend appropriate policy measures to address such risks.

The Macroprudential Oversight Committee (MOC) supports the Governor in exercising macroprudential powers. It consists of the Governor as the Chairperson; the two Deputy Governors (with the Deputy Governor responsible for Financial Stability as the Deputy Chairperson), the Advisors to the Governor as well as the Directors of Research and Financial Stability, Payment and Settlement Systems, Banking Supervision, Financial Markets as well as Strategic Communications and Financial Sector Development. The Committee meets at least twice a year or at any time during the year as the need arises to discuss key changes to systemic risk during the period and the overall state of the financial system. Additionally, recommendations from the FSSC may be approved at this platform. Macroprudential decision making powers in Namibia are vested in the Governor of the Bank of Namibia and the MOC provide him or her with the necessary support, implying that the final decision lies with the Governor.

The Management Committee is responsible for reviewing the Bank's policies on financial and other administrative matters. The Management Committee consists of the Governor (Chairperson), Deputy Governors, Advisor(s) to the Governor, all Directors, and the Head of Risk Management and Assurance. The Management Committee meets every second week.

The Investment Committee is responsible for reviewing the management of Namibia's foreign exchange reserves. While the Board approves the International Reserves Management Policy, the Investment Committee reviews the investment guidelines for final approval by the Governor. The Investment Committee is also expected to ensure that investments comply with the approved policy. The Investment Committee consists of the Governor (Chairperson), the Deputy Governor, advisor(s) to the Governor, the Director of the Financial Markets Department, the Director of the Research and Financial Stability Department, the Director of the Strategic Communications and Financial Sector Development Department, and the Director of the Finance and Administration Department.

The Risk Management Committee assists the Audit Committee to ensure that the Bank implements an effective risk management policy. The Committee also supports the annual workplan that enhances the Bank's ability to achieve its Strategic Objectives and ensure that disclosure regarding risks is comprehensive, timely and relevant. The Committee consists of all members of the Management Committee and is chaired by the Governor or the Deputy Governor. Its meetings are held on a quarterly basis before the Audit Committee meetings.

The function of the Budget Committee is to oversee the budget deliberations of the Bank. The Budget Committee meets as part of the normal annual budget process of determining and providing for the Bank's expenditures (both recurrent and capital) to be incurred in the execution of its functions and responsibilities. Each department presents and defends anticipated annual budgetary allocations before the Budget Committee. The Budget Committee consists of the Governor (Chairperson), the Deputy Governor, and the Director and senior staff members of the Finance and Administration Department, which also provides administrative and support services. One representative each from the Employee Liaison Forum (ELF) and the employees' bargaining union are permitted to attend and participate in the budget deliberations to ensure transparency.

The Tender Committee is responsible for ensuring sustainable, ethical, transparent, and cost-effective procurement of and tendering for the Bank's assets, goods and services. To achieve these objectives, the Committee takes into consideration the following:

- quality of the product/service;
- cost/price;
- reliability of suppliers;
- delivery time and after-sales service support;
- the National Equitable Economic Empowerment Framework / previously disadvantaged Namibians, where applicable; and
- support to Small and Medium-sized Enterprises (SMEs).

The Information Technology Management Committee (ITMC) facilitates the development of IT strategies and plans that ensure cost-effective application and management of IT systems and resources in the Bank. The ITMC monitors the implementation of significant IT projects and initiatives to ensure that the Bank gets maximum value from IT investments, practices, and services. The ITMC consists of the Governor (Chairperson), Deputy Governor, Advisor(s) to the Governor, all Directors, and the Head of Risk Management and Assurance. The ITMC meets at least four times per calendar year before the ITGC meetings to provide strategic advice and recommendations.

REPORTING OBLIGATIONS

The Bank of Namibia Act requires the Bank to submit various reports to the Minister of Finance. The requirement includes the obligation to submit a copy of the Bank's Annual Report to the Minister of Finance within three months of the end of each financial year. The Minister, in turn, is required to table the Annual Report in the National Assembly within 30 days of receiving it. The Report must contain the Bank's annual accounts, audited by external auditors, information about the Bank's operations and affairs, and information about the state of the economy. Apart from the Annual Report, the Bank is further required to submit a monthly balance sheet to the Minister of Finance, which is also published in the Government Gazette.

BOX ARTICLE 1

THE BANK OF NAMIBIA'S NEW STRATEGIC PLAN (2022–2024)

The Governor officially launched the Bank's new Strategic Plan on 1 December 2021 to both internal and external stakeholders of the Bank. Ultimately, this plan will provide a solid foundation on which the Bank will build its monetary policy and drive for financial stability and sustainable economic development from 2022 to 2024. At the core of the plan lies a shared Vision for the Bank, incorporating a new Mission Statement: *"To support sustainable economic development through effective monetary policy and an inclusive and stable financial system for the benefit of all Namibian*s". Moreover, the Bank aspires to be a leading, future-fit central bank that is committed to a prosperous Namibia.

Due to the rapidly changing environment the Bank is currently operating in, the new plan has a three-year execution timeframe. Over the next three years, the Bank shall focus on its statutory mandate. To support the implementation of the new Strategic Plan, the Board of the Bank has approved changes to the organisational structure of the Bank, which will take effect on 1 January 2022. To this end, a series of senior-level staff appointments effective from 1 January 2022 were announced, with the reappointment of Mr Johannes !Gawaxab as Governor and Mr Ebson Uanguta as Deputy Governor, and the appointment of Ms Leonie Dunn as the second Deputy Governor.

The effectiveness and success of a Strategic Plan rests on the degree to which it is properly coordinated and implemented. During the planning process, the Bank of Namibia considered the development and establishment of a monitoring mechanism to be a priority. The monitoring mechanism will enable the Bank to evaluate its progress with respect to the achievement of the Strategic Plan's goals and objectives over the next three years. The Strategy, Projects and Transformation Division, which was established in the office of the Governor, is mandated to oversee the implementation of the plan during its three-year tenure. This Strategic Plan will be complemented by each business unit's workplan, which will be evaluated and reviewed by a six-monthly Semester Review.

The Strategic Plan places the Bank in a good position to deliver on the expectations of its stakeholders to fast-track the institution's transformation, modernise the financial system and drive economic recovery.

1. VISION

To be a leading central bank committed to a prosperous Namibia.

2. MISSION

To support sustainable economic development through effective monetary policy and an inclusive and stable financial system for the benefit of all Namibians.

3. VALUES

Act with integrity
Our actions are honest and ethical, and we build trust through transparency.

Open engagement
We communicate openly without prejudice.

Embrace diversity
We embrace diversity through the promotion of inclusivity.

Lead through innovation
We deliver impactful innovation through an agile approach.

We care
We value our people and care for their wellbeing.

Performance excellence
We go the extra mile to achieve exceptional outcomes.

4. KEY ENABLER

Digital transformation

Below is an outline of the salient features of the Plan:

5. HIGH-LEVEL STRATEGIC FOCUS AREAS: OBJECTIVES OF THE FOUR PILLARS

There are four main strategic focus areas. These are referred to as pillars: the Purpose Pillar, the Stakeholder Engagement Pillar, the Talent and Transformation Pillar, and the Future-fit Organisational Efficiency and Effectiveness Pillar. Each of the pillars consist of high-level strategic objectives that the Bank will be working towards.

5.1 Purpose Pillar: This Pillar corresponds to the Bank's mission. The Bank plays a fundamental role in Namibian society, and it recognises the need to deliver on its mandate in the most effective way possible. Maintaining a clear understanding and vision of the mandate and of what needs to be done in order for the Bank to fulfil its obligations has profoundly informed the development of this Strategic Plan.

5.2 Stakeholder Engagement Pillar: This Pillar is intended to strengthen the Bank's understanding of and dialogue with the wider environment through strategic stakeholder relationships and engagements.

5.3 Talent and Transformation Pillar: This Pillar reflects the Bank's aspiration to be an employer of choice, offering a value proposition that inspires people and teams to discover and develop their full potential in a work environment that promotes collaboration, ongoing learning, growth, teamwork and innovation.

5.4 Future-fit Organisational Efficiency and Effectiveness Pillar: This Pillar is intended to improve the Bank's capacity to understand, manage and incorporate technological changes, and to build a future-fit institution that focuses on achieving its institutional objectives.

6. HIGH-LEVEL STRATEGIC OBJECTIVES UNDER EACH PILLAR

PURPOSE PILLAR	STAKEHOLDER ENGAGEMENT PILLAR	TALENT AND TRANSFORMATION PILLAR	FUTURE-FIT ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS PILLAR
Maintain a stable and inclusive financial system Maintain price and monetary stability Ensure the sufficiency of supply and the integrity of currency Operate as fiscal advisor to and banker for the Namibian Government Manage reserves prudently Promote financial sector growth and economic development	Promote a positive reputation Enhance stakeholder education and confidence Maintain proactive public engagement	Promote potential through talent transformation Be an employer of choice Implement future-fit capacity building Foster visionary and collaborative leadership Promote a staff culture of integrity, agility, excellence and high performance	Effective and pro-active risk management Deliver responsive and innovative solutions Develop a sustainable and green organisation Maintain effective financial management Enhance operational capability and value maximisation Strengthen resilience through good governance and compliance Adopt data-driven solutions and decision-making

COMMUNICATION AND STAKEHOLDER RELATIONS

The Bank ascribes particular importance to facilitating proactive stakeholder engagements to enrich knowledge and understanding of its mandate. During the year under review, a particular focus was placed on discussions and policy recommendations that have the potential to bring about economic recovery and enable Namibia to maintain sustainable growth amidst the COVID-19 pandemic, within the policy mandate of the Bank. In furtherance of these interactions, the Bank continued to uphold the values of transparency and open engagement by creating platforms to engage stakeholders in active and open dialogue. These engagements enjoyed high-level support and were facilitated by the Governor. Some of the engagements held during the period under review are outlined below.

During the year under review, Governor Johannes !Gawaxab held engagements with stakeholders from regional and local authority leadership, representatives from the business community, commercial banks, and civil society organisations in various regions. Specifically, the Governor visited Omusati, Erongo and //Karas regions to mobilise stakeholders behind the sole goal of economic recovery and sustainable growth. As part of these stakeholder engagements, the Governor also hosted public lectures under the theme *"How does Namibia stack up? Our own story"* in Omusati and //Karas regions. The lectures were an account of Namibia's socioeconomic progress to date and key structural challenges that the country faces. It aimed to put these developments into perspective through comparison with Namibia's peers on the African continent. It concluded with recommendations on how best to position the country for economic recovery and a sustained development path. The Governor also discussed the impact of relief measures that the Bank introduced to cushion the impact of the COVID-19 pandemic on borrowers and key sectors of the economy, on the one hand, and the implementing agents (i.e. commercial banks), on the other.

BoN Governor, Mr Johannes !Gawaxab, delivering a public lecture at UNAM Oshakati Campus

Bank of Namibia (BoN) Governor Mr Johannes !Gawaxab (left) and Erongo Regional Governor, Hon. Neville Andre, at the stakeholders' dinner

From left to right (fltr): Director: UNAM Southern Campus, Prof. Linschen !Haoses-!Gorases, BoN Governor, Mr Johannes !Gawaxab, and //Kharas Regional Governor, Hon. Aletta Fredricks

The Bank hosted an event under the theme *"Celebrating female leadership in banking"* to recognise the accomplishments under the transformation agenda of the Namibian financial sector, as advocated in the Namibia Financial Sector Strategy 2011–2021. The strategy advocates for the localisation of the banking sector to ensure increased local ownership, skills development, and enhanced decision-making capacity within institutions. This includes representation and participation of Namibian citizens in the control and management structures of institutions, i.e. boards of directors, executive management, and other decision-making structures. In this regard, Namibia has made significant strides, as witnessed by the fact that it is one of the few countries in Africa – and indeed the whole world – where the managing directors of four out of the top five commercial banks are female citizens.

(fltr) BoN Governor, Mr Johannes !Gawaxab; CEO: Standard Bank, Ms Mercia Geises; MD: Bank Windhoek, Ms Baronice Hans; CEO: Letshego Bank Namibia, Ms Ester Kali; MD: Nedbank Namibia, Ms Martha Murorua; and BoN Deputy Governor, Mr Ebson Uanguta

On 10 March 2021, Governor Johannes !Gawaxab met with the CEO of Bank BIC Namibia and held a separate virtual meeting with the management of Banco Atlantico. Since taking office last year, the Governor has made it his priority to meet and engage with the CEOs of the various commercial banks to introduce himself and discuss changes introduced by the Bank of Namibia Act (No 1 of 2020), which commenced on 15 June 2020, with a focus on the macroprudential oversight role which is henceforth to be fully executed by the Bank. The sessions were useful for gaining insight into the operations and models of the various entities, especially in the strenuous environment occasioned by the COVID-19 pandemic, while gathering first-hand information which informs policy formulation.

The Bank hosted an economic roundtable meeting with chairpersons of boards of directors and CEOs of private sector companies on 11 February 2021. Discussion centred on means of mobilising domestic investment in the country and how best to adapt the policy environment so that businesses can respond to the call for investing directly into the economy and exploring new opportunities within the economy.

At the roundtable meeting, it was agreed that Namibia should pursue an aggressive economic turn-around strategy to enhance growth and income outcomes. In order to find practical means of rallying support for sustainable economic recovery, relevant policies were discussed with key institutions and entities. Such a coordinated approach is expected to yield a robust response to the anaemic economic growth experienced since 2016, which the COVID-19 pandemic has exacerbated.

BoN Governor, Mr Johannes !Gawaxab, and Deputy Governor, Mr Ebson Uanguta, together with private sector representatives at the roundtable discussion

On 24 February 2021, the Governor addressed an induction of Members of Parliament of the 7th National Assembly where he explained the mandate of the Bank as a constitutional institution with unique powers. During this engagement, the Governor affirmed the statutory obligation of the Bank in terms of reporting to the relevant standing committees of Parliament on an annual basis, and discussed the economic outlook and the operational mandate of the Bank. Members of Parliament also shared their views on the operations of the Bank and the performance of the economy. Furthermore, they requested details regarding the activities undertaken to ensure that the financial system is protected from criminality and corruption.

Mr Johannes !Gawaxab addressing Members of Parliament at an induction function

As determined by section 68 of the Bank of Namibia Act (No. 1 of 2020), the Bank of Namibia is now required to report to the Parliamentary Standing Committee on Economics and Public Administration on an annual basis. Governor Johannes !Gawaxab, accompanied by Deputy Governor Ebson Uanguta, met with this standing committee on 28 April 2021. Governor !Gawaxab reported on matters related to the state of the economy and the conduct of monetary policy, as well as on operations and affairs of the Bank. He also shared the Bank's views on the economic outlook, which forecast overall moderate growth for 2021 from the deep contraction experienced in 2020 due to the COVID-19 pandemic. During the session, Members of Parliament also had an opportunity to pose questions. They exchanged views related to the operations of the Bank, the performance of the economy and the protection of the financial system.

Mr Johannes !Gawaxab with the Parliamentary Standing Committee on Economics and Public Administration

The Bank held its 22nd Annual Symposium on 4 November 2021, under the theme: *"Namibia Beyond COVID-19: Digital Transformation for Sustainable Economic Development"*. The Annual Symposium is one of the Bank's most prominent events. It brings together distinguished speakers from local and international organisations, think tanks, academic institutions and various other bodies to engage and make recommendations on various areas of national interest that are in line with the country's development agenda and aspirations.

Director: Research and Financial Stability, Ms Florette Nakusera, giving a presentation at the Bank of Namibia 22nd Annual Symposium on 4 November 2021

On the 29th October 2021 the Governor of the Bank hosted members of the diplomatic corps and development partners where they exchanged views on relevant economic issues. This year, this engagement was held virtually due to the COVID-19 situation in the country. The diplomatic stakeholder event provides a platform to build, strengthen and maintain sound relations between the Bank, the diplomatic corps and the Bank's development partners.

Speaking at the event, the Governor reflected on the past year, highlighting the impact of COVID-19 on the local and global economies. The Governor went on to state that even though the pandemic presented numerous challenges and substantially disrupted economic activity, it also created an opportunity to reset the Namibia economy on a more sustainable basis by focusing on:

- enhancing competitiveness and accelerating the ease of doing business;
- ensuring supportive monetary and fiscal policy;
- increasing investment in IT infrastructure;
- ensuring an adequate supply of clean energy;
- ensuring food security;
- reforming our SOEs and the public sector;
- increasing the capacity of the Namibian health sector; and
- diversifying and increasing productive capacity and investment in the country.

The Governor reiterated the importance of vaccine uptake, stating that this is essential for achieving the country's goals, as vaccination policy is inextricably linked to economic policy and recovery. Furthermore, a presentation on domestic, regional and global economic trends was made to the attendees. The platform further provided an opportunity to discuss areas that will require attention to revive growth once the COVID-19 pandemic has abated.

During the year, the Governor continued to engage bilaterally with diplomats and multilateral organisations to discuss critical monetary and economic developments and issues of mutual concern. The exchanges were beneficial as they provided insights into the Bank's operations and mandate, and facilitated debate and cooperation.

(fltr) German Ambassador, H.E. Herbert Beck; BoN Governor, Johannes !Gawaxab; EU Ambassador, H.E. Sinikka Antila; French Ambassador, H.E. Sebastian Minot; and Spanish Ambassador, H.E. Antonio Javier Romera Pintor at the German Embassy

(fltr) BoN Governor, Mr Johannes !Gawaxab; German Ambassador, H.E. Herbert Beck; Embassy of Germany Head of Cooperation, Dr Gabriele Geier; and BoN Deputy Governor, Mr Ebson Uanguta

(fltr) Country Director and Representative of the World Food Programme in Namibia, Dr George W.S. Fedah; BoN Governor, Mr Johannes !Gawaxab, Senior Partnerships Officer, WFP Namibia, Ms Ericah Shafudah; and BoN Senior Communications Practitioner, Ms Sandra Garises

A trio of Namibia's central bank Governors, past and present, who maintain cordial working relations: (fltr) Minister of Mines and Energy, Hon. Tom Alweendo; Minister of Finance, Hon. Ipumbu Shiimi; and BoN Governor, Mr. Johannes !Gawaxab

Entrepreneurs whose businesses were negatively impacted by COVID-19 approached the Bank to discuss how relief measures could be extended to businesses struggling to stay afloat. In the light of the Bank's stated commitment to seeing the SME sector thrive, the Governor reiterated that the Bank is aware of the current challenges, and how these were being exacerbated by COVID-19. The Bank therefore extended its COVID-19 relief measures for a further 12 months to avoid their premature termination. Furthermore, in collaboration with the Ministry of Finance, the Government provided guarantees amounting to N$500 million to the COVID-19 SME Loan Scheme to provide credit to SMEs affected by COVID-19 for operational expenditures. The dialogue with SMEs is useful for refining the various programmes aimed at assisting the SME sector to recover and sustain itself in the future. As always, the Bank welcomes dialogue with entrepreneurs.

BoN Governor Johannes !Gawaxab together with representatives of entrepreneurs whose businesses have been negatively impacted by COVID-19

Internally, the Bank continued to promote an effective and favourable working relationship with its employees. The dissemination of corporate information via the Bank's intranet, tri-annual internal newsletter, corporate email system and regular staff meetings are key platforms used to reach every employee. Some of the internal engagements during the year under review are outlined below.

Performance reviews: Progress reviews continued to be conducted at the end of the two-performance cycle (i.e. November 2020 to April 2021, and May 2021 to October 2021). During these reviews, the Senior Management Team provided feedback to the rest of the Bank's employees regarding progress made in the implementation of respective departmental strategies and areas of concentration for the year. These feedback exercises, conducted with allowance for comments and recommendations, enabled employees to be aware of the Bank's strategic direction while encouraging them to contribute towards the successful realisation of the targets.

General staff meetings: The Governor held a general staff meeting during the period under review. At this meeting, staff members were encouraged to raise issues about the operations and strategic direction of the Bank and share positive and inspirational stories that best capture the Bank's values.

Internal monetary policy announcements: Members of the Monetary Policy Committee (MPC) continued to present monetary policy decisions to the staff. These briefings (conducted after each MPC meeting) provide staff with the opportunity to discuss matters pertaining to monetary policy in line with the Strategic Objective of maintaining price stability. The internal monetary policy announcements were made parallel to the announcements to the public and media.

Employee Liaison Forum: The Employee Liaison Forum (ELF) continued to strengthen the internal communication channels within the Bank. The Forum, an internal structure that serves as a communication link between management and employees, further continued to provide constructive inputs related to policy and operational matters of the Bank. In further executing its mandate to improve internal communication between management and non- management employees, the ELF solicited agenda items for general staff meetings.

EMPLOYEE LIAISON FORUM MEMBERS (31 DECEMBER 2021)

An Employee Liaison Forum was elected with new members who commenced serving for a period of two years as from January 2021.

During 2021, the Bank continued to produce both statutory publications and publications providing general information about the Bank, the economy, and the financial sector. The Bank releases these publications as per statutory requirements and to broaden the public's understanding of the Bank's functions and operations, as well as of economic and financial developments. The publications outlined below were issued during the review period and are available on the Bank's corporate website.

In line with statutory requirements, the Bank's *2020 Annual Report* was released in March 2021. The Report included an account of the operations and affairs of the Bank, the Bank's annual financial statements, and information on the macroeconomic state of the country.

The *Financial Stability Report*, which provides an assessment of the financial system in Namibia, was issued at the end of April 2021. The Report, which is a joint publication by the Bank of Namibia and NAMFISA, highlighted potential threats to financial stability and recommended appropriate policy actions to further deepen the resilience of the financial sector.

Published in line with statutory requirements, the *Quarterly Bulletin* serves as a primary source of information on economic and financial developments in Namibia. It contains a full set of data covering the real sector, monetary and financial developments, public finance, and the balance of payments.

Three editions of the *Economic Outlook Report* were released, in February, August and December 2021. These reports highlighted global, regional and domestic economic growth prospects, and presented domestic sectoral estimations and forecasts for three years (2021, 2022 and 2023).

Employee Liaison Forum Secretariat and Members

As at 31 December 2021

ELF SECRETARIAT

Gebhard Mvula
Governor's Office - Chairperson

John Witbeen
IT Department -Deputy Chairperson

Sesilia Nekwaya
SCFSD - Secretary

Naftal Immanuel
Human Resource Department - Deputy Secretary

Jenny Mbwale
Financial Markets Department -Treasurer

Candice Adams
Finance & Administration - Deputy Treasurer

ELF MEMBERS

Name	Department
Martin Iithindi	Banking Services
Earl Bock	Banking Services
Ndinelao Njaba	Banking Supervision
Nicole Bester	Banking Supervision
Uatuva Zakaapi	Exchange Control & Legal Services
Sabuta Maritha	Finance & Administration
Lineekela Edward	Financial Intelligence Centre
Charles Matundu	Financial Intelligence Centre
Miryam Nangolo	Information Technology
Mwashekele Aloys	Financial Markets
Mary Sam	Governor's Office
Heidi Ndiili-Ronkainen	Human Resources
Immanuel Naftal	Human Resources
Hango Iforsina	Banking Services / Oshakati Branch
Lupando Alexander	Banking Services / Oshakati Branch
Angelina Schroeder	Payment and Settlement Systems
Julius Nakale	Payment and Settlement Systems
Anna Williams	Research and Financial Stability
Mutu Katjiuanjo	Research and Financial Stability
Frans Amakali	Strategic Communications and Financial Sector Development (SCFSD)

THE YEAR UNDER REVIEW

As mentioned above, the Bank of Namibia's activities are focussed on eight Strategic Objectives that have guided its operations over five-year periods. These Strategic Objectives are directly connected to the Bank's functional priorities, its Mission, and its Vision, as well as to developments in the internal and external environments. The Bank has determined appropriate initiatives and strategies to accomplish each Strategic Objective. In this section, each Strategic Objective is presented in tabular format along with its associated initiatives and strategies. These are complemented by a list of strategic outcomes, which serve as indicators of success in achieving the objective in question. Each presentation is concluded with a report on key actual outcomes, and an assessment of whether or not the Strategic Objective was achieved during the year. The more detailed discussions on Strategic Objectives numbers one and five appear in Part C and Part D of this report.

STRATEGIC OBJECTIVE 1: SAFEGUARD AND ENHANCE FINANCIAL STABILITY

INITIATIVES AND STRATEGIES	STRATEGIC OUTCOMES	ACTUAL OUTCOMES	STRATEGIC OBJECTIVE ACHIEVED (YES/NO)
1.1 Deter illegal financial schemes[1]	All known and detected schemes declared illegal within three months of determination	Illegal schemes were investigated timely, and actions taken against promoters in terms of the relevant legislation.	Yes
1.2 Supervise and regulate deposit-taking institutions and credit bureaus[2]	Sound and stable banking system: Early warning indicators in place		
	Capital adequacy not less than 11 percent	The Capital adequacy ratio stood at a level of 15.7 percent.	Yes
	Liquidity ratio not less than 10.5 percent	The banks recorded a liquid assets ratio of 18.3 percent.	Yes
	Non-performing loans (NPLs) not more than 4 percent under normal conditions and 6 percent under crisis conditions	NPLs ratio remained constant at 6.4 percent in 2021.	No
	Examination cycle to be finalised within three months	The supervisory team conducted three consolidated supervision examinations on the Domestic Systemically Important Banking Institutions, and one second-tier bank which was finalised on time.	Yes
	Adequate risk management and all high risk and medium risk issues identified in examination report are addressed within agreed timelines	Corrective actions were implemented as per action plans and within agreed timelines, with extension sought or agreed upon with the Bank where applicable.	Yes
	95 percent acceptance rate for submission of credit information to credit bureaus	The credit bureaus met the acceptance rate with 97.8 percent data acceptance.	Yes
	Coverage: credit providers that hold 80 percent of credit data in the market should submit data to all registered credit bureaus	Banking institutions, retailers, microlenders and insurers submitted data to credit bureaus and ensured that 80 percent coverage was achieved.	Yes

1 Developments under this strategy are further discussed in Part D of this report.
2 Developments under this strategy are further discussed in Part D of this report.

INITIATIVES AND STRATEGIES	STRATEGIC OUTCOMES	ACTUAL OUTCOMES	STRATEGIC OBJECTIVE ACHIEVED (YES/NO)
1.3 Licensing[3]	Entities that have submitted all information should be processed within three months within BoN (if more than one application is received the processing period is within six months) and one month with the relevant ministry	The Bank received an application to establish a building society. The application has been put on hold on the request of the applicant.	Yes
	Renewal of license a month before expiry	All six currently licensed ADLAs (Authorised Dealers with Limited Authority) had their licenses renewed in a timely manner for the period 2021–2022. One application for establishing the ADLA was received, and the application is still under consideration.	Yes
1.4 Ensure efficient, safe and effective payment and settlement systems	Cost-effective provision of payment systems services in line with set cost standards	The Namibia Inter-Bank Settlement System (NISS) cost- effectiveness for 2021 was 89 percent. This was well within the set cost effectiveness range of 75 percent to 125 percent. The NISS fee per transaction for 2021 was US$0.59. This is much lower than the US$1 transaction fee for at least eight economies in SADC.	Yes
	There is compliance with the Safety Index, per the following indicators:		
	Fraud-to-turnover ratio below 0.05 percent	The fraud-to-turnover ratio was 0.00076 percent for 2021.	Yes
	99 percent availability of retail payment system, and participants' systems 99.9 percent availability of the Namibia Interbank Settlement System (NISS)	The retail payment systems were available 99 percent of the time. NISS was available 99.31 percent of the time which is below the threshold of 99.90 percent.	Yes No
	Recovery time objective (RTO) of 2 hours met for retail and large-value systems when Disaster Recovery (DR) tests are conducted	The NISS DR exercise and Business Continuity Management exercise performed for the period under review achieved the RTO of 2 hours. The Namclear DR exercise performed for the period under review achieved the RTO of 2 hours.	Yes Yes
	All high- and medium-risk issues identified from on-site inspections addressed within agreed timelines	All high- and medium-risk issues identified through inspections were addressed within the agreed timelines.	Yes

3 Developments under this strategy are further discussed in Part D of this report.

INITIATIVES AND STRATEGIES	STRATEGIC OUTCOMES	ACTUAL OUTCOMES	STRATEGIC OBJECTIVE ACHIEVED (YES/NO)
1.5 Maintain financial sector stability	Stable financial system	The 2021 Financial Stability Report revealed that the Namibian financial system remained sound and resilient, despite the pre- existing sluggish economic activity that was further exacerbated by the COVID-19 pandemic.	Yes
	Vulnerabilities in the financial system identified and agreed action implemented	Vulnerabilities were identified and addressed within the agreed timeframe.	Yes
1.6 Develop the ability to handle crises in the financial system[4]	A tested and effective crisis resolution framework	The Bank awaits the finalisation of the legislative framework in order to test the crisis resolution framework.	No
1.7 Introduce a financial sector safety net	Safety net in place for small depositors	A Deposit Guarantee Scheme, as administered by the Namibia Deposit Guarantee Authority, has been established and fully operationalised. The Scheme was established in terms of the Namibia Deposit Guarantee Act (No. 16 of 2018).	Yes

The Bank continued to fulfil its regulatory mandate as the overseer of the National Payment System (NPS) in 2021, in line with the Payment System Management Act (No. 18 of 2003), as amended. Payment systems are a crucial part of the financial infrastructure of a country. In Namibia, the regulatory mandate to oversee the NPS was accomplished through risk-based on-site and off-site oversight activities. During the review period, the Bank conducted three risk-based inspections of various participants. In addition, the Bank continued with its off-site activities by monitoring system participants through a combination of assessments based on information provided by the regulated institutions in the NPS.

Following the release of the Bank of Namibia's Guidance Note on Interchange Determination in the National Payment System on 28 October 2020, the Bank commenced with the interchange determination project in March 2021. Interchange refers to the revenue exchanged between banks every time a card transaction at an ATM or point-of-sale device is performed involving more than one bank. The aim of the project was to revise the existing interchange rates for debit card, hybrid card, credit card and ATM transactions. These rates are being revised to reflect the current dynamics in the domestic NPS. With the assistance of a consultant, the Bank conducted an interchange costing exercise which involved the collection, validation and analysis of cost data from all the banks that issue payment cards in the NPS. The information collected through questionnaires was ultimately used to derive cost-based interchange rates for the card stream. The project was concluded on 31 October 2021 and a regulation will be issued in this regard.

The Bank of Namibia recently developed a Financial Technology (FinTech) Regulatory Framework. The Framework aims to provide guidance on how the Bank will treat FinTech innovations that are not already subject to the Bank's regulations. The Bank intends to subject FinTech innovations to a phased regulatory programme to understand, evaluate and test the innovation before a regulatory outcome can be

4 Developments under this strategy are further discussed in Part D of this report.

determined. Three (3) regulatory tools are used in the Framework namely, the Allow-and-See Approach, the Test-and-Learn Approach, and the Regulatory Sandbox Approach. Ultimately, the Framework aims to encourage and embrace the introduction of FinTech innovations in a safe and responsible manner. Through the Framework, the Bank intends to provide innovators with an enabling environment to develop, test and deploy much-needed financial products that will promote competition in the provision of financial services and enhance financial inclusion.

As part of its public education efforts, the Bank issued a newsletter addressing components of the NPS. The Bank continuously seeks to engage in various ways with all stakeholders of the NPS to ensure the availability of relevant information to the public. Understanding NamPay and the Namibia Inter-Bank Settlement System' to inform, educate, and present information to the public on the new payment system called 'NamPay' which will modernize how Electronic Funds Transfers (EFT) are made in Namibia and highlights the benefits of NamPay for consumers.

SETTLEMENT SYSTEM

In 2021, the Bank provided interbank settlement services through the financial market infrastructure (the Namibian Interbank Settlement System (NISS)) to authorised institutions. The interbank transactions that are settled in the NISS comprise single-item large-value transactions processed by the participants in NISS, and retail payments, such as EFTs and card transactions, that are cleared through Namclear. During 2021, one NISS unannounced disaster recovery (DR) exercise and two business continuity management exercises were conducted. The exercises conducted were successful and the two-hour recovery time objective (RTO) was met.

The Bank continued to provide collateralised lending to the NISS participants through overnight and intra-day lending facilities. During the year, NISS participants on numerous occasions utilised the intra-day and overnight credit facilities for the fulfilment of their settlement obligations within the NISS.

The NISS, which was introduced in 2002, reached the milestone of a settlement value of a trillion Namibia dollars for the first time in 2021. This was mainly on the back of the high volumes of the new domestic EFT system streams (NamPay), the usage of the lending facilities, particularly the 7-day Repo, and the purchase/resell of government securities, coupled with inflows of funds to comply with NAMFISA Regulation 28. The aggregate settlement value recorded in the NISS during 2021 was N$1 050.4 billion, with a volume of 89 758 transactions. The total value and volume settled through the NISS in 2021 increased by 6.8 percent and 28.0 percent, respectively. Moreover, the share of single transactions settled in the NISS amounted to N$726.4 billion, which translates to 69 percent of the total value settled. The value of retail payment transactions cleared through Namclear was N$323.9 billion, which represents 31.0 percent of the aggregate value settled. A total of 89 758 transactions were settled in the NISS during 2021, which came to an average of 298 transactions per settlement day.

TABLE A.5 NISS TRANSACTION VALUES AND VOLUMES

YEAR	NUMBER OF SETTLEMENT DAYS	VALUES SETTLED IN N$ BILLION			TOTAL NUMBER OF SETTLEMENT TRANSACTIONS
		TOTAL VALUE SETTLED	REAL-TIME TRANSACTIONS	RETAIL PAYMENT TRANSACTIONS	
2017	301	852.7	565.3	287.4	65 983
2018	301	913.1	618.7	294.4	60 189
2019	300	975.7	672.4	303.3	66 148
2020	301	983.8	687.8	296.0	70 150
2021	301	1 050.4	726.4	323.9	89 758

CLEARING SYSTEM

The Bank continued to oversee clearing operations in the NPS. During the review period, Namclear was the only service provider that provided clearing services within the NPS. It clears inter-bank EFT and card transactions, which are submitted to the NISS for settlement.

The volume and value of EFT transactions processed by Namclear increased in 2021 compared to 2020. The total value and volume recorded for EFT transactions during 2021 was N$370.7 billion and 23 million transactions, respectively. This represented a 12 percent increase in value and an 11 percent increase in volume over the 2020 figures. The increase in the EFT figures can be attributed to increased usage of digital payment channels due to the impact of COVID-19 during 2021.

Card payment transactions continue to increase year-on-year. In 2021, Namclear processed card transactions with a total value of N$31.2 billion. The value and volume processed by Namclear increased by 18 percent and 20 percent, respectively, over the 2020 figures.

INTRABANK AND ELECTRONIC-MONEY SCHEMES

The value of EFT intrabank transactions settled in commercial banks increased in 2021 to N$637.3 billion. The increase can be attributed to the real-time processing of intrabank payments within the same banking institution's accounts.

Payment card intrabank transactions in 2021 were higher than the transactions reported in 2020. Fifty-nine (59) million card transactions were processed between merchants and customers of the same banking institution, amounting to N$32.0 billion, in comparison with the N$30.0 billion reported in 2020.

The use of electronic-money (e-money) schemes, which are currently close-loop, i.e. only operating within the same banking institution's systems, continued to increase in 2021. The Bank observed an increase in the use of e-money as a payment instrument, which shows a shift in the payment behaviour of users of the domestic payment system. In 2021, the value and volume of e-money transactions increased to N$31.6 billion and 61 million, respectively. This increase can be attributed to changing consumer behaviour in general and the spread of COVID-19, as the lockdown regulations prompted various entities to use e-money schemes as the preferred payment method for the disbursement of value to recipients.

TABLE A.6 NAMCLEAR TRANSACTION VALUES AND VOLUMES

YEAR	CHEQUE TRANSACTIONS		EFT TRANSACTIONS		CARD TRANSACTIONS		E-MONEY TRANSACTIONS		VALUE OF TOTAL INTRABANK TRANSACTIONS
	VALUE (N$ MILLION)	VOLUME ('000)	VALUE (N$ MILLION)	VOLUME ('000)	VALUE (N$ MILLION)	VOLUME ('000)	VALUE (N$ MILLION)	VOLUME ('000)	(N$ MILLION)
2017	10	971	269 557	18 280	13 272	25 206	10 610	17 846	11 088
2018	5	583	250 045	16 944	17 844	33 731	14 038	23 916	14 452
2019	0.496	42	260 597	17 834	22 937	42 901	14 833	28 403	26 099
2020	-	-	269 614	20 475	25 946	47 386	19 140	29 169	151 464
2021	-	-	307 671	23 093	31 733	59 433	31 554	61 304	669 314
Annual percent change									
2017	-44	-42	1	4	21	23	1 105.6	82.6	800.7
2018	-50	-40	-8	-8	26	25	24	25	23
2019	-90	-92	4	5	22	21	5	16	45
2020	-100	-100	3	13	12	9	22	3	83
2021	-	-	12	11	18	20	39	52	77

REGIONAL PAYMENT SYSTEMS

The Bank remained a participant in the SADC Real-Time Gross Settlement (SADC-RTGS) system. The SADC-RTGS is a regional settlement system that processes time-critical or high-value payments between participating SADC countries. At the end of the 2021 reporting period, there were 84 participants (i.e. registered banking institutions, as well as central banks within the respective SADC jurisdictions) of which five, including the Bank, were Namibian. During 2021, the total value of payments processed in the SADC-RTGS amounted to R1 317 billion. Namibian banks accounted for R381 billion, which is 29 percent of the SADC-RTGS total. This reflects the optimal usage by Namibian banks of the SADC-RTGS in support of regional payments integration in accordance with the SADC Finance and Investment Protocol.

During the period under review, the low-value Transactions Cleared on an Immediate Basis and the payment scheme went live on 18 November 2021. This project, which is led by the SADC Bankers' Association under the Finance and Investment Protocol, was launched in 2020. Following the launch and successful technical testing that took place between selected central banks and participants, the scheme is now fully operational for participation by banking institutions and non-bank financial institutions. Participation in the scheme is subject to authorisation by the in-country authorities responsible for domestic and cross-border payments. During 2021, the Bank oversaw the on-boarding of a Namibian participant in this regional scheme as it conducted live tests. This process is still ongoing and assessment for full authorisation into the scheme is underway, pending the submission of all required information and documentation.

The SADC Payment System Oversight Committee amended the SADC-RTGS access and participation criteria to be inclusive of non-bank financial institutions. This amendment serves to enhance the SADC payment system platform by including non-bank financial institutions onto the current platform. The amended criteria will be presented to the Committee of Central Bank Governors during 2022 for ratification.

In support of the adoption of ISO 20022 messaging standards for cross-border payments, the SADC-RTGS Operator in collaboration with the SADC Bankers Association logged an ISO 20022 Migration Project to ensure timeous adoption within the SADC region. The Society for Worldwide Interbank Financial Telecommunications (SWIFT) instructed financial institutions across the globe to migrate from the current MT messaging standards to ISO 20022 messaging standards by November 2025. To ensure compliance with SWIFT's deadline, the relevant engagements are currently underway at both regional and domestic levels. At a regional level, the SADC-RTGS Operator and the SADC Bankers Association ISO 20022 Migration Project which is underway has proposed the implementation date for the SADC region to be October 2023. Domestically, the Bank will, as part of its oversight efforts, continue to ensure compliance within the NPS with international standards. Furthermore, in support of the ISO 20022 migration efforts, the Bank issued a Guidance note to ensure the timely migration of the standard by the Namibian jurisdiction.

The Bank participated in the Continental Payments Integration Project to interlink the regional payments systems within the African continent. The Association of African Central Banks (AACB) has initiated the Continental Payments Integration Project to interlink the regional payment systems within the African continent. As the initiative is driven by AACB Governors, all the regions and member central banks are expected to align their strategies with the AACB initiative. Two working groups of the AACB task force have been established and are mandated with the development of an interregional payment system integration framework and an integrated mobile/retail payment strategy for the continent. The Bank of Namibia and representatives from the private sector are part of the working groups driving the implementation of both initiatives.

INDUSTRY FRAUD STATISTICS

The total value of fraudulent transactions perpetrated within the NPS has increased over the past five years. For the period under review, the total value of fraudulent transactions increased compared to 2020. The total value of fraud attributable to card, EFT, and e-money streams for the period under review amounted to N$6.8 million, N$2.9 million and N$3.6 million, respectively. Payment card fraud increased by 16 percent, while EFT and e-money payments fraud increased by 49 percent and 56 percent, respectively, when compared to 2020. The increase in payment card fraud was primarily due to Card-Not-Present payment incidents perpetrated via internet banking platforms and/or mobile applications, whilst EFT incidents were perpetrated via phishing. E-money payments fraud ensued from incidents that were perpetrated via phone scams. The total fraud perpetrated within the NPS remained within the fraud safety index indicator of 0.05 percent as per the Bank's Strategic Goal, with a figure of 0.0012 percent being recorded.

TABLE A.7 INDUSTRY FRAUD STATISTICS (NPS)

YEAR	CARD FRAUD	EFT FRAUD	CHEQUE FRAUD	E-MONEY FRAUD	TOTAL FRAUD
	VALUE (N$'000)	VALUE (N$'000)	VALUE (N$'000)	VALUE (N$'000)	VALUE (N$'000)
2017	4 555	528	2 071	6 828	13 982
2018	5 216	194	677	1 466	7 553
2019	3 126	5 648	320	320	9 414
2020	5 690	1 476	-	1 585	8 751
2021	6 753	2 907	-	3 618	13 278

FINANCIAL STABILITY ASSESSMENT AND SURVEILLANCE

The Bank assesses risks and vulnerabilities that could threaten financial sector stability to determine the sector's resilience to withstand internal and external shocks. Such assessments are published in April each year in the Financial Stability Report (FSR), followed by a review in September. The FSR analyses risks in the global and domestic economic environments, public sector debt, household and corporate indebtedness, the banking sector, the non-bank financial sector and the payment and settlement systems, and recommends policies to mitigate potential risks. The 2021 FSR concluded that the Namibian financial system remained solvent and resilient amidst risks from the COVID-19 pandemic. Despite an elevated NPL ratio, the banking industry remained adequately capitalised and liquid during 2021. The non-bank financial institutions sector remained sound and sufficiently capitalised, and recorded a growth rate in assets of 2.0 percent during 2021, driven mainly by market returns from pension funds and new business from long-term insurance and collective investment schemes. Although the pension fund industry remained solvent, there are concerns regarding benefits paid exceeding contributions received, which is a result of the impact of the pandemic on the labour market. However, there is some comfort in the fact that the return on investments recorded a 4.0 percent growth rate during the period under review and thus remained sufficient to cover the gap identified above. The long-term insurance sector remained solvent, with sound reserves and net premiums sufficiently covering claims. In addition, the collective investment schemes sector remained stable. The Macroprudential Oversight Committee will continue to monitor developments accordingly.

The banking sector remained sound, well capitalised and liquid in 2021 despite depressed economic conditions resulting from the COVID-19 pandemic. The banking sector remained liquid and well capitalised notwithstanding the adverse impact of the pandemic. The capital adequacy ratio of the banking sector increased to 15.7 percent in 2021 from 15.2 percient in 2020, exceeding the statutory minimum requirement of 11 percent of total risk weighted assets. The liquidity ratio improved to 18.3 percent during 2021, up from 15.7 percent registered in 2020 and well above the prudential limit of 10 percent of total average liabilities to the public. This was largely due to the uptake of government securities coupled with subdued credit extension by banks. Asset quality as measured by the NPL ratio remained elevated at 6.4 percent in the review period, the same ratio registered in 2020, and consistent with the sluggish economic conditions. The banking sector partially responded to the higher potential default risk by increasing provisions. In this regard, the specific provisions to NPL ratio picked up from 29.3 percent in 2020 to 34.4 percent in 2021.

To help reduce the impact of the COVID-19 pandemic on the Namibian economy, during 2021 the Bank continued with the implementation of special policy relief measures introduced in April 2020 to complement its monetary policy stance. The measures were aimed at individuals, SMEs and corporations in Namibia and included loan payment holidays typically ranging from six to twelve months. Relief was also granted on the banks' capital conservation buffer, which was reduced from 1.00

percent to zero percent for at least 24 months since the commissioning date, in order to support the banking institutions' ability to supply credit to the economy. In October 2021, the Bank amended some key provisions of the Determination on Policy Changes in Response to Economic and Financial Stability Challenges (BID-33), to avoid the premature exit of relief measures. The aim of the amendment was to continue supporting banking institutions' clients in the face of the ongoing pandemic. The factors that necessitated the amendments included the ongoing macroeconomic strain and the uncertainty surrounding emerging COVID-19 variants and their concomitant impact on economic activity at large, which continued to delay economic recovery. BID-33 was revised and also extended to remain in place for an additional twelve months, until 1 April 2023.

Average residential property prices as measured by the First National Bank Namibia's House Price Index (HPI) increased at a faster rate in 2021 than they had in 2020, partly owing to base effects. House prices rose on average by 11.9 percent in 2021 from a modest increase of 3.7 percent in 2020, which can be ascribed to base effects. This was largely boosted by the demand for houses at the low end of the market by young professionals resulting in the completion of new developments, notably in the central area. Furthermore, increased sales activity at the higher end of the market played a pivotal role in driving prices upwards, as buy-to-let investors with access to funding competed for high-value properties.

STRATEGIC OBJECTIVE 2: PROMOTE PRICE STABILITY

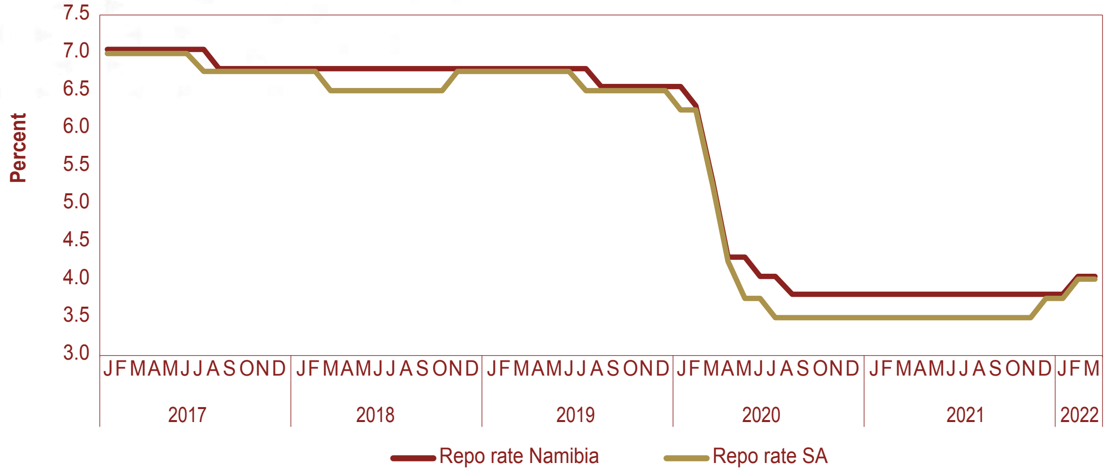
INITIATIVES AND STRATEGIES	STRATEGIC OUTCOMES	ACTUAL OUTCOMES	STRATEGIC OBJECTIVE ACHIEVED (YES/NO)
2.1 Ensure reliability of economic data to support economic policy	Timely and reliable balance of payments and monetary and financial statistics (MFS) and data that meet international standards provided Timely and reliable other economic data provided to relevant stakeholders	MFS data were provided to the public once a month with a maximum lag of one month. Both balance of payments and MFS data were provided to the public on a quarterly basis, and annually. All macroeconomic data were provided to the MPC every two months and to external stakeholders on time.	Yes
2.2 Pursue monetary policy in accordance with the Monetary Policy Framework	Headline inflation below 7 percent maintained without compromising economic growth	The average annual consumer price inflation was 3.6 percent in 2021.	Yes

MONETARY POLICY STANCE DURING 2021

The Bank's MPC maintained an accommodative monetary policy stance throughout 2021, mainly aimed at mitigating the negative effects of the COVID-19 pandemic on the domestic economy while safeguarding the one-to-one link to the South African Rand. The monetary policy stance taken during the year continued to be mindful of the need to counter the negative effects of the COVID-19 pandemic, as it continued to manifest itself in relatively weak domestic economic activity. Despite the domestic economy showing intermittent gains in some sectors as the year unfolded, the subdued performance continued to be broadly reflected in key economic sectors such as *manufacturing, constructions,* and *electricity and water*. Simultaneously, the domestic inflation rate rose mainly due to pressure from international energy and food prices and currency depreciations in most emerging market and developing economies (EMDEs) during the year. The Bank's monetary policy stance remained accommodative as the Repo rate, which was first lowered to a post-independence low of 3.75 percent in August 2020, was kept unchanged at this level at all six of the MPC meetings held in 2021. The sustained accommodative stance of the Bank of Namibia was consistent with most of the monitored central banks in advanced economies (AEs), while a few EMDEs, including South Africa, raised their policy rates during 2021, citing increased inflationary pressure. During 2021, the Bank also continued with the implementation of special policy relief measures introduced in April 2020 to complement its monetary policy stance and help reduce the impact of the COVID-19 pandemic on the Namibian economy. The measures were aimed at individuals, SMEs and corporations in Namibia and included loan payment holidays typically ranging from one to twenty-four months. Relief was also granted on the banks' capital conservation buffer, which was reduced from 1.00 percent to zero percent for at least 24 months since the commissioning date, to support the banking institutions' ability to supply credit to the economy.

The monetary policy stance adopted in 2021 was considered appropriate to continue supporting the pandemic-impaired domestic economy and to safeguard the one-to-one link between the Namibia Dollar and the South African Rand. Given the pursuit of accommodative monetary policy stances by most central banks around the globe and despite global inflationary pressure, the Bank deemed its 2021 monetary policy stance appropriate (Figure A.1). Through careful action, the level of foreign reserves remained sufficient to maintain the peg and meet the country's international financial obligations. The pickup in inflation was not considered to be of runaway magnitude, and economic activity continued to fall short of its potential, thereby necessitating a strong case for continued monetary stimulus.

FIGURE A.1 NAMIBIA REPO RATE VERSUS SOUTH AFRICA REPO RATE



STRATEGIC OBJECTIVE 3: MANAGE RESERVES PRUDENTLY

INITIATIVES AND STRATEGIES	STRATEGIC OUTCOMES	ACTUAL OUTCOMES	STRATEGIC OBJECTIVE ACHIEVED (YES/NO)
3.1 Manage foreign exchange reserves prudently in accordance with the Investment Policy	Foreign reserves safe and easily convertible assets which generate risk-adjusted returns in line with the approved strategic benchmarks	All internally and externally managed sub-portfolios met their respective objectives over the review period.	Yes
	Foreign reserves cover the currency in circulation plus a buffer of three times the monthly average net commercial bank flows threshold	Foreign reserves covered the precautionary threshold by a ratio of 5.6 at the end of December 2021.	Yes
	Foreign reserves meet the international 3-months' import coverage ratio benchmark	The import coverage ratio stood at 6.4 months at the end of December 2021.	Yes
3.2 Manage liquidity in the banking system proactively to support reserves	100 percent compliance with reserve adequacy threshold as stated in the Market Intervention Framework	The level of foreign exchange reserves remained adequate and well above currency in circulation plus a buffer equal to three months of average commercial bank outflows by a ratio of 3.0 times.	Yes

As stipulated in section 61 of the Bank of Namibia Act (No. 1 of 2020), the Bank is entrusted with accumulating and prudently managing Namibia's foreign exchange reserves. As such, the reserve assets are held to provide support for the peg, as required in terms of the Bilateral Monetary Agreement between the governments of the Republic of Namibia and the Republic of South Africa. Reserve assets are also held to enable funding of international transactions and to serve other strategic objectives such as maintaining confidence in the country's monetary and exchange rate policies. In addition, holding adequate reserve assets promotes confidence amongst the international community that the country can service its external debt and ensures resilience to external shocks.

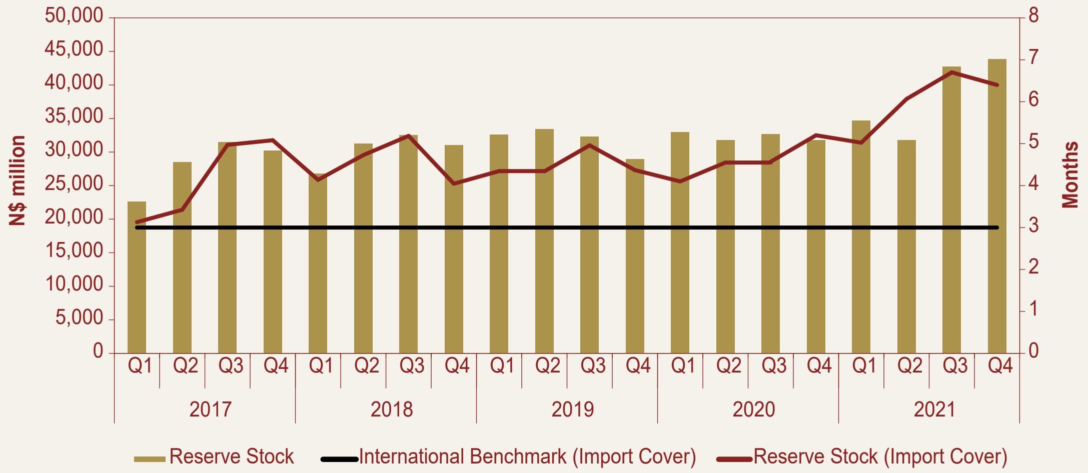
To serve the purpose of holding foreign reserves, the Bank needs to ensure that the primary objectives of capital preservation and liquidity management are met. Subject to meeting these two objectives, excess reserves are managed to pursue and maximize investment returns. These objectives are achieved through exposure to a range of eligible foreign assets set within limits which are informed by the Bank's annual strategic asset allocation exercise.

The stock of international reserves increased by 38 percent year-on-year, amounting to a level of N$43.9 billion as at 31 December 2021. Despite lower SACU receipts of N$16.6 billion in 2021 (compared to N$21.4 billion in 2020), foreign reserves increased on account of IMF Rapid Financing Instrument (RFI) amounting to N$3.9 billion and N$1.5 billion from African Development Bank (AfDB). Furthermore, foreign reserves increased due to additional IMF SDR allocation amounting to N$3.9 billion. The positive developments were further supported by additional inflows from the asset swap programme amounting to N6.8 billion. On the outflow side, net commercial bank outflows came in lower at N$11.9 billion (2020: N$19.9 billion). The decrease was due to higher proceeds from diamond sales. Over the year, the total payments made on behalf of the Government amounted to N$6.6 billion (2020: N$4.9 billion); the higher bill is attributed to an uptick in economic activity and the rolling out of vaccination programmes. Another significant outflow from the reserves was the redemption to the tune of N$7.2 billion of Namibia's first Eurobond that matured on 3 November 2021.

Regarding reserve adequacy, the level of foreign reserves remained adequate when measured in terms of (1) import coverage and (2) currency in circulation plus a buffer of three times the monthly commercial bank outflows. Foreign reserves were recorded with an import coverage ratio of 6.4 months as at 31 December 2021 compared to the 5.1 months reported at the corresponding time in 2020, mirroring the increase in foreign reserves. In terms of currency in circulation plus a buffer of three times monthly commercial bank outflows, the reserves were recorded at a ratio of 5.64 times as at 31 December 2021 (2020: 3.3 times), mainly aligned to lower commercial bank outflows during the period under review. At these levels, both measures are considered adequate to support the peg to the South African Rand (ZAR) and the threshold for invoking Section 62 of the Bank of Namibia Act.

FIGURE A.2 OFFICIAL FOREIGN EXCHANGE RESERVE STOCK AND IMPORT COVER

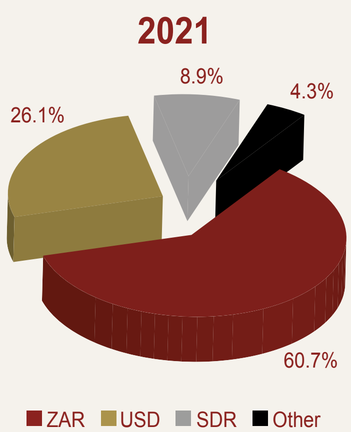
The stock of international reserves increased by 38 percent year-on-year and remains well above the international import coverage ratio of 3 months.



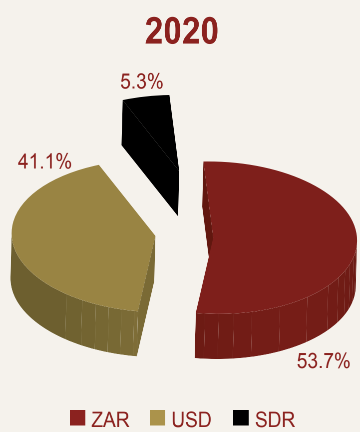
The USD and ZAR currencies continued to represent the biggest share of the Bank's overall foreign exchange reserves. As at 31 December 2021, the ZAR and USD currencies accounted for 60.7 percent and 26.1 percent, respectively. The remaining portion of 14.1 percent was made up of the IMF Special Drawing Rights allocation (8.6 percent) and other currencies of the basket, namely the Euro (EUR), British Pound Sterling (GBP), Japanese Yen (JPY) and the Chinese Yuan/ Renminbi (CNY) (see Figure A.2). The ZAR level was 7.7 percent higher, while USD presented a lower allocation of 15.64 percent compared to the previous year. This can be ascribed to the additional ZAR asset flows and redemption of the Eurobond in USD.

FIGURE A.3 CURRENCY MIX OF FOREIGN EXCHANGE RESERVES, 31 DECEMBER 2021

The largest currency allocation was apportioned among the USD and ZAR currencies of the overall reserves during 2021.



The largest currency allocation was apportioned among the ZAR and USD currencies of the overall reserves during 2020.



LIQUIDITY MANAGEMENT

The Bank employs various liquidity management tools to safeguard the level of international reserves. Accordingly, the Bank intervenes in the market by temporarily absorbing funds destined to leave the country in search of alternative investment opportunities. The common interventions include the issuance of Bank of Namibia Bills, as well as appropriate adjustments to the Settlement Account rate.[5] The Bank also engages in non-market interventions such as advice to the Government on appropriate regulations aimed at preventing capital outflows.

ADMINISTRATION OF EXCHANGE CONTROL

During the period under review, the Bank continued to execute its mandate as Agent for the Administration of Exchange Control as provided in the Bank of Namibia Act (No.1 of 2020). The Administration of Exchange Control supports foreign reserves management of the country. In accordance with the powers provided for in the Currency and Exchanges Act (No.9 of 1933) and the Exchange Control Regulations of 1961, as amended, the Minister has delegated the function of Exchange Control to the Bank and tasked it with the responsibility for fostering stable foreign exchange operations in the country. To this effect, the Bank also contributes to a sound foreign exchange market in the Common Monetary Area (CMA). During 2021 the key activities detailed below were carried out as part of the Bank's mandate to administer Exchange Controls.

As part of the envisaged next phase in the gradual exchange control liberalisation trajectory, the Bank drafted Capital Flow Management Regulations. The purpose of the Capital Flows Regulations is to modernise the exchange control regime in Namibia, in line with international best practice following the benchmarking exercise with the Organization for Economic Co-operation and Development and the South African Reserve Bank. Ultimately, with the new Regulations, the Bank aims to usher in a more business- and investor-friendly regulatory environment. In this regard, industry-wide consultations have begun, and inputs obtained through the engagement process would be incorporated in the final Regulations.

Like most developing countries, Namibia is not immune to the risk of Illicit Financial Flows (IFFs). To reduce this risk, an inter-agency statistical working group consisting of 10 agencies and key Government ministries[6] was established in October 2021 to quantify the level of IFFs in Namibia. In July 2017, the United Nations General Assembly adopted Sustainable Development Goal indicator 16.4.1, which requires countries to measure the "total value of inward and outward illicit financial flows". The Addis Ababa Action Agenda on financing for development similarly calls for a redoubling of efforts to substantially reduce IFFs by 2030. With the technical support of the United Nations, the working group is expected to adopt a methodological framework to be used for quantifying IFFs in Namibia during June 2022. Namibia is involved in the pilot testing of these methods under the guidance and capacity building provided by the UNECA/UNCTAD/UNODC[7] project on Defining, estimating, and disseminating statistics on IFFs in Africa.

As part of the digitisation of its processes, the Bank has finalised the business case and project plan for the implementation of the Import Verification System (IVS). The process of selecting the vendor has begun and the vendor will be appointed in 2022. The Import Verification System would interface with the Asycuda World System of NamRA to provide for a reconciliation model between the payments for imports of goods relative to the actual goods received in the country. It is envisaged that the system will be implemented in May 2023 as part of efforts to reduce IFFs.

The Bank continued to shape the compliance environment of the regulated populace consisting of six Authorised Dealers and six Authorised Dealers with Limited Authority (ADLAs) through onsite and offsite inspections and regular industry meetings. For the period under review, the Bank conducted four onsite inspections and continuous

5 The Settlement Account rate refers to the rate paid on commercial banks' deposits at the central bank.

6 The members of the working group are Bank of Namibia, the Financial Intelligence Centre, the Namibia Revenue Agency, the Ministry of Mines and Energy, the Ministry of Fisheries, the National Planning Commission, the National Statistics Agency, the Anti-Corruption Commission, the Namibian Police and the Namibia Financial Supervisory Authority.

7 UNECA - United Nations Economic Commission for Africa. UNCTAD - United Nations Conference on Trade and Development. UNODC - United Nations Office on Drugs and Crime

offsite monitoring, and data analysis on the Balance of Payment Reporting System to assess the industry compliance with the Exchange Control Regulations and the reporting requirements. In this regard, there was a notable improvement in overall compliance with the Exchange Control Regulations as well as an improvement on mis-invoicing of transactions.

The Currency and Exchanges Manuals for Authorised Dealers and ADLAs contain the permissions and conditions applicable to transactions in foreign exchange that may be undertaken by them on behalf of their clients. In 2021, the Bank processed 1 042 applications for foreign exchange transactions, which represents a one (1) percent decrease compared to 2020, during which a total of 1 057 applications were processed. The 1 057 applications processed in 2020 represented a ten (10) percent decrease compared to 2019, during which a total of 1 176 applications were processed. Figure A.4 below depicts the number of applications processed in the last three years:

FIGURE A.4 NUMBER OF APPLICATIONS PROCESSED IN THE THREE YEARS 2019–2021

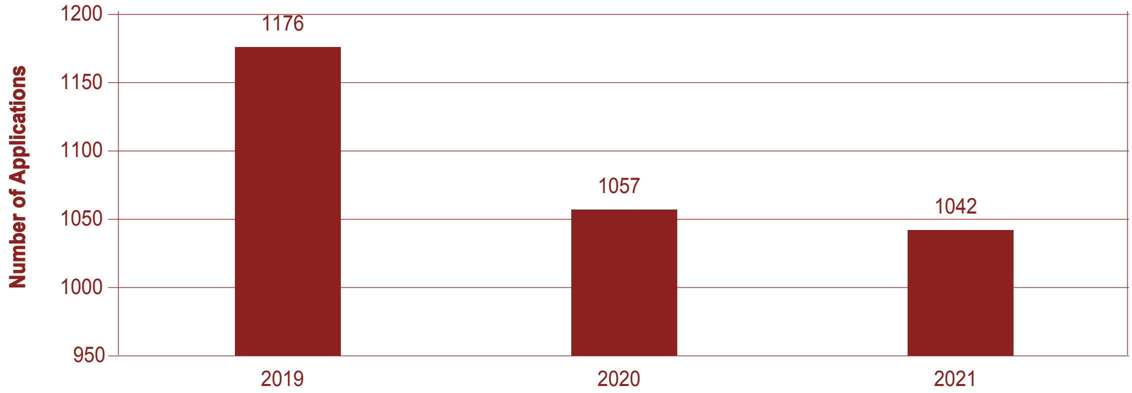
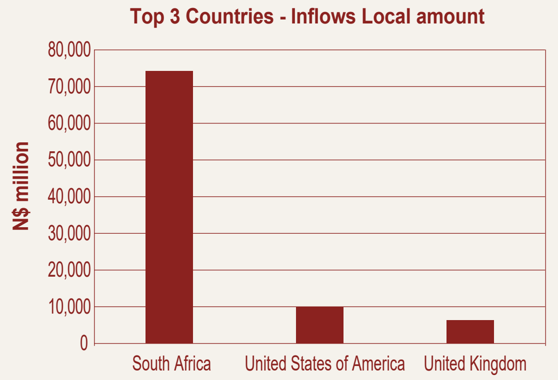
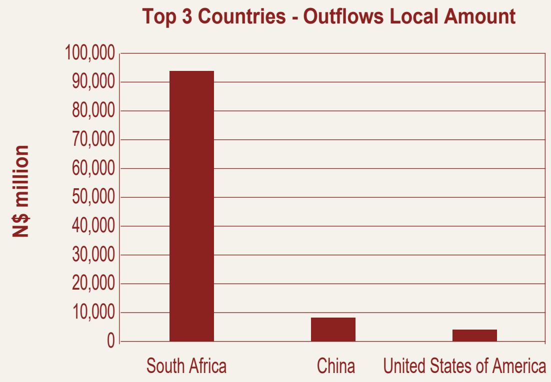


FIGURE A.5 TOP THREE COUNTRIES AND CATEGORIES OF ACTUAL CROSS- BORDER INFLOWS AND OUTFLOWS

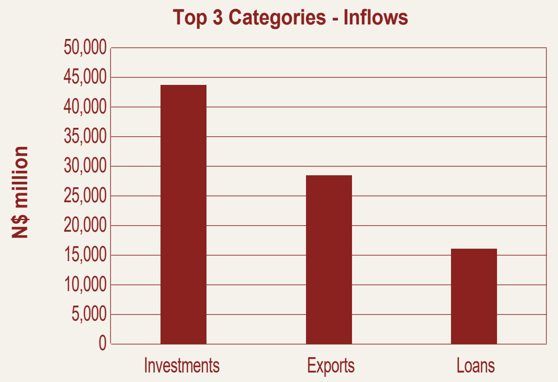
Top 3 jurisdictions – inflows



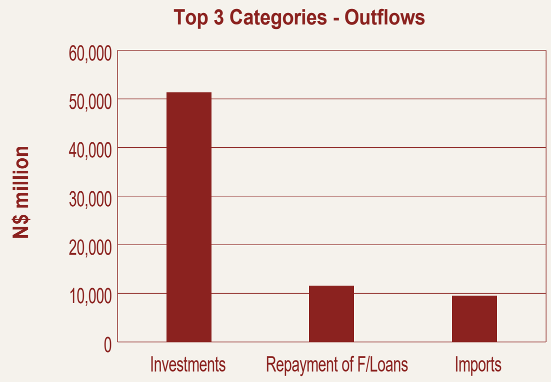
Top 3 jurisdictions – outflows



c. Top 3 Categories – inflows



Top 3 Categories – outflows



In terms of inflows of funds into Namibia, most funds were received for investment purposes, exports and loans, while for capital outflows, most funds were remitted for investment purposes, e-payment of foreign loans, and imports. Namibia's foreign reserves were sufficient to allow for the free movement of these transactions, and despite the COVID-19 impact, the Minister did not deem it necessary to introduce restrictions on capital flow measures during the year.

The ADLA industry was severely impacted by the COVID-19. Since the ADLA industry is dependent on travel-related foreign exchange transactions, the travel restrictions negatively affected the operations of the ADLAs. Despite this impact, one application for establishing an ADLA was received, and assessment is still in progress.

As an integral part of the international system, the Bank continued to fulfil its multilateral obligations. In this regard, the exchange control policy remains aligned within the CMA countries. Furthermore, the review of the joint Exchange Control Liberalisation Index (ECLI) was finalised. This Index will be used to track the progress of the liberalisation of the Capital and Financial Account of SADC member countries and to inform capital controls adjustment aimed at moving towards the harmonisation of rules within the SADC in line with Annex 4 of the SADC Finance and Investment Protocol.

STRATEGIC OBJECTIVE 4: PROVISION OF CURRENCY, GOVERNMENT DEBT ISSUANCE AND BANKING SERVICES

INITIATIVES AND STRATEGIES	STRATEGIC OUTCOMES	ACTUAL OUTCOMES	STRATEGIC OBJECTIVE ACHIEVED (YES/NO)
4.1 Effective and efficient provision of banking services	All (100 percent) Government payments and deposits correctly effected and recorded within 3 days	99% of all Government payments destined to foreign beneficiaries were executed within the 3-day turnaround time. Internal controls have been reviewed and the necessary corrective measures have been implemented to ensure compliance to the turnaround time.	No
	BoN complies with anti-money laundering laws	All Government payments, both local and foreign, were screened against the UN sanctioned list. No suspicious transactions were detected.	Yes
	Previous day State Account balance made available to the Ministry of Finance the next day before 12h00 noon.	State Account balances were provided to the Ministry of Finance daily at the stipulated time.	Yes
4.2 Issue and manage Government securities	Meet funding requirements of the Government in line with the approved Borrowing Plan	The Bank succeeded in raising the required funding for the Government as per the Borrowing Plan.	Yes
4.3. Provide effective lending facilities to the banking institutions	Meet 100 percent of banking institutions' borrowing needs in line with the Bank's conditions	All banking institutions' liquidity needs were met.	Yes
4.4. Manage and issue currency	Good quality, cost-effective and sufficient currency supplied to commercial banks as per demand and in line with Bank's approved denomination mix	The Bank supplied the commercial banks with sufficient and good quality currency as per the Bank's approved denomination mix.	Yes
	Counterfeits detected and in circulation do not exceed the threshold of 10 pieces per 1 million notes in circulation	The ratio of counterfeits recorded in 2021 was 3 pieces per million banknotes in circulation and was thus below the Bank's threshold.	Yes
	All commercial banks' deposits and withdrawals to be processed on the system within one hour of conclusion of the said transaction	The Bank managed to process all commercial banks' deposits and withdrawals within the stipulated time frame of one hour.	Yes

PROVISION OF EFFECTIVE LENDING FACILITIES TO THE BANKING INSTITUTIONS

In line with its mandate, the Bank of Namibia continues to provide lending facilities to commercial banks. This is done through the provision of intra-day, overnight, and 7-day Repo lending facilities, which are aimed at assisting the banking institutions in meeting their short-term liquidity needs. During 2021, the Bank on several occasions provided liquidity to commercial banks through the abovementioned facilities. The 7-day Repo facility is generally the most utilised facility as it gives a longer window of liquidity provision.

ISSUANCE AND MANAGEMENT OF GOVERNMENT SECURITIES

As an agent for Government, the Bank continues to issue Government debt securities. This is intended to assist the Government in its efforts and commitment towards financial market development, as well as in the financing of the national budget. During 2021, the Bank of Namibia held several auctions for both short-term discount instruments and bonds as per the 2021/22 Borrowing Plan, which saw an increase in the total value of outstanding Government domestic debt in comparison to the preceding year. The Government introduced an inflation-linked bond (the GI27) in 2021, maturing in 2027, as well as a long-term fixed-rate bond (the GC48), maturing in 2048. This brings the total number of outstanding domestic listed Government bonds to 21, inclusive of the six inflation-linked bonds. During 2021, the Government also successfully redeemed two bonds, one in the domestic market (GC21) and another international Bond (2021 Eurobond). The GC21 to the tune of N$168.5 million which matured on 15 October 2021. Additionally, the 2021 Eurobond to the tune of USD500.00 million was paid back to investors at maturity, after the Government successfully raised enough funds to replenish the sinking fund to enable full redemption. The Government also managed to switch N$330 million of the N$2.3 billion outstanding on the GI21 during 2021 into longer dated inflation-linked bonds.

PROVISION OF BANKING SERVICES TO THE GOVERNMENT

In its role as banker to the Government, the Bank ensures that revenue and payment transactions destined for Government accounts are accurately and timeously processed, and that these accounts are well managed.

During the year under review, an overall reduction was noted in both local and foreign payments processed on behalf of Government.

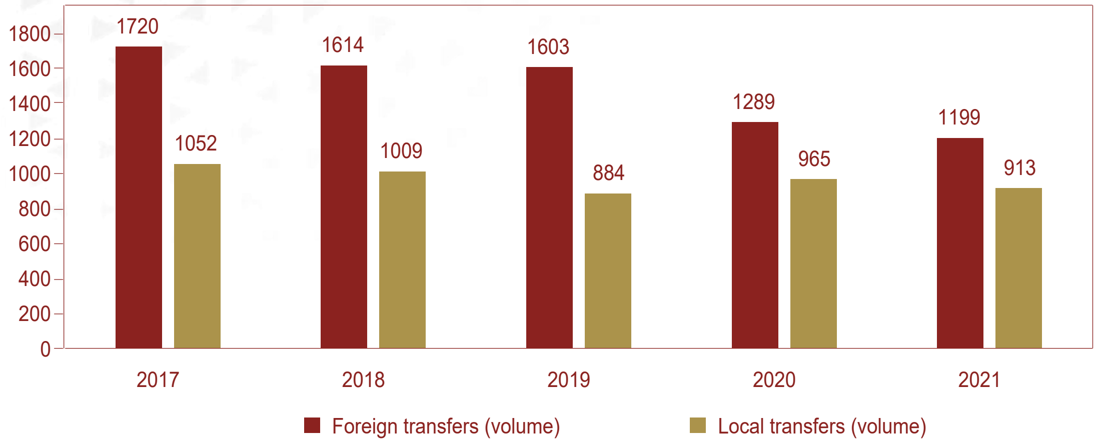
5.4% decrease in local transfers

913 ***(2021)*** vs 965 ***(2020)***

9.5% decrease in foreign transfers

1,166 ***(2021)*** vs 1,289 ***(2020)***

FIGURE A.6 LOCAL AND FOREIGN TRANSFERS PROCESSED ON BEHALF OF THE GOVERNMENT



It is noteworthy that the volume of local and foreign transfers has been declining over the past five years, with 2021 recording the lowest figure. The aforesaid reduction can be partially attributed to the contraction noted in the economy, which was exacerbated by the COVID-19 pandemic.

During the year under review, the Bank succesfully executed the electronic payment system modernisation project. The Bank facilitates domestic electronic payments on behalf of the Government through its Electronic Funds Transfer (EFT) System. The EFT system is one of the Bank's mission-critical systems. The Bank's business needs have evolved over time due to an increased number of transactions from the Government, and changes in business and Banking industry compliance requirements. In response, the Bank has had to replace its EFT System. This process coincided with the implementation of the industry EFT System called the NAMPAY System.

The implementation of the Bank's EFT System replacement project has yielded greater efficiency and safety, and enhanced controls for the processing of EFT payments for the Government and the Bank. The system is ISO 20022 compliant, and has enhanced anti-money laundering checking and reporting functionalities.

The replacement of the Bank's EFT System with the robust, secure, state-of-the-art system was a major project in terms of both financial resource requirements and its strategic importance to the Government and the nation at large. The provision of Banking services to the Government is one of the fiduciary mandates of the Bank as contained in its Strategic Objectives. Having successfully delivered on this major project was therefore a significant achievement for the Bank, the Government, and the nation at large.

The new EFT System was successfully implemented at the end of June 2021, and the old system was decommissioned at the end of December 2021. All EFT payments of the Government and the Bank are now processed on the new EFT System.

Electronic payments to local Government beneficiaries remained a popular payment method during 2021, despite a slight decrease in the volume of transactions effected. EFT payments in 2021 amounted to 2 292 688 (2020: 2 485 959).

FIGURE A.7 EFT TRANSFER VOLUMES 2017–2021

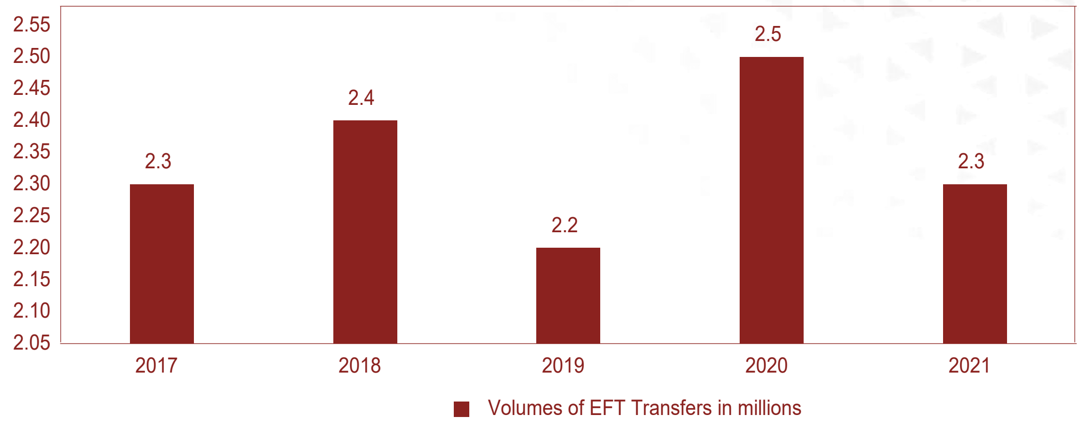
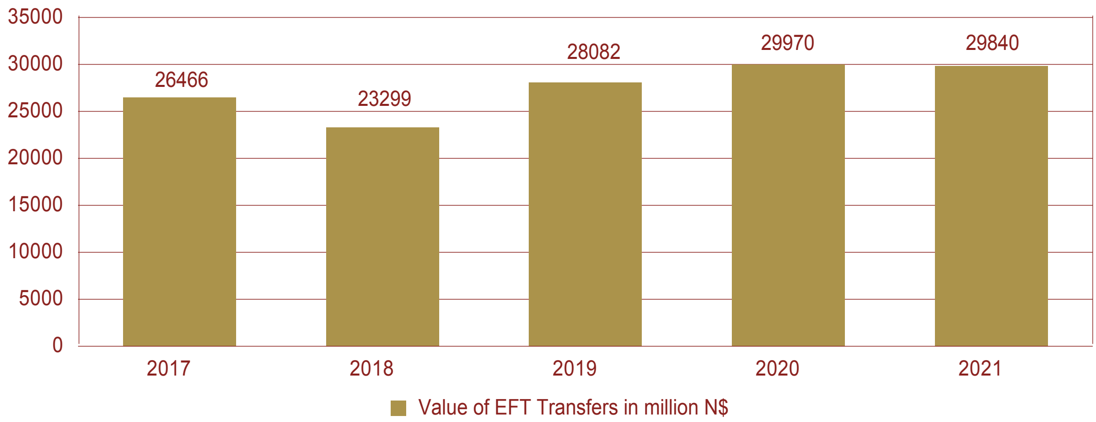


FIGURE A.8 EFT TRANSFER VALUES 2017–2021



Government payments processed by the Bank complied with the anti-money laundering, counter-terrorism financing, and counter-proliferation financing laws, as outlined in the Financial Intelligence Act (No. 13 of 2012), as amended. No suspicious transactions were noted during the period under review.

THE BANK'S MANDATE ON NATIONAL CURRENCY

As mandated by the Bank of Namibia Act (No. 1 of 2020), the Bank has the sole authority to produce and issue Namibian currency. The Banking Services Department is tasked with delivering on this mandate by:

Ensuring currency is designed in accordance with relevant regulations.	**Supplying the market with banknotes and coins through commercial banks.**	**Withdrawing unfit currency from circulation and destroying it.**	**Ensuring that sufficient and good quality currency is put into circulation.**

CURRENCY MANAGEMENT

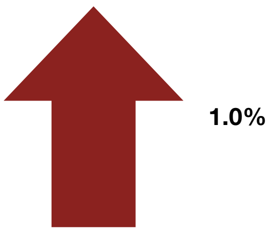
The COVID-19 pandemic affected the Bank's currency function in various ways, most notably during the lockdown, when demand for cash was higher than usual. In order to mitigate the risk of possible disruptions in the currency supply chain, the Bank worked very closely with the local commercial banks to ensure that sufficient currency stock levels were maintained at the cash centres across the country. Overcoming these pressures required agility and innovation.

The issuance of good quality banknotes and coins to the commercial banks is the sole responsibility of the Bank, as contained in its mandate. The Bank fulfilled this mandate by supplying sufficient and good quality currency in all denominations to the Namibian market. Adequate currency management practices were applied to ensure that market demand was met. The Bank continued to oversee the full lifecycle of Namibian currency, which included all stages, from the production of new notes and coins to the destruction of unfit banknotes.

Total currency in circulation increased during 2021.

Currency in Circulation

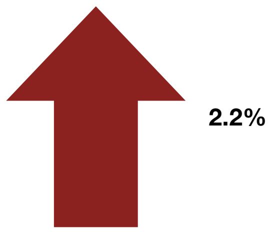
2020 (N$4.71 billion)



2021 (N$4.76 billion)

Coins in circulation

2021 (257.8 million pieces)



2020 (252.3 million pieces)

The total value of currency in circulation in 2021 increased by 1.0 percent from N$4.71 billion in 2020 to N$4.76 billion. In contrast to this, the number of coins in circulation increased by 2.2 percent from 252.3 million pieces in 2020 to 257.8 million pieces in 2021. Furthermore, an increase in the individual coin denominations was observed for all coins except the N$10 coin. Although the N$0.05 cent coin remains in circulation as legal tender, the coin will not be issued by the Bank in the future. The final N$0.05 cent stock was issued in March 2021.

Overall, banknotes recorded a 0.9 percent average increase in value during the year under review. The N$200 banknote continued to be the most circulated banknote in 2021 with a volume of 14.3 million pieces, whilst the N$10 banknote was in second place with a volume of 10.2 million pieces.

The N$50 banknote denomination had a volume reduction from 6.9 million in 2020 to 6.7 million in 2021. The N$30 commemorative banknote showed an impressive increase of 49.8 percent over the previous year.

The N$30 commemorative banknote that was issued by the Bank on 15 May 2020 received high recognition in 2021. On 16 December 2021, the Bank was awarded the "Best Commemorative Banknote" at the High-Security Printing Virtual Awards in the regional category Europe, Middle East, and Africa. Winning the award was a significant achievement for the Bank as the note was the first commemorative banknote designed and issued by the Bank. To date, 90% of the banknote pieces printed by the Bank have been successfully placed in circulation. Interest from the international community remained firm and the Bank has continued to receive orders for the commemorative banknotes.

2021 was also the year that the Bank reprinted the modified N$10 banknote denomination under the signature of the new Governor following his appointment by the President of the Republic of Namibia in June 2020. The modified N$10 banknote will be issued in 2022.

FIGURE A.9 GROWTH OF CURRENCY IN CIRCULATION

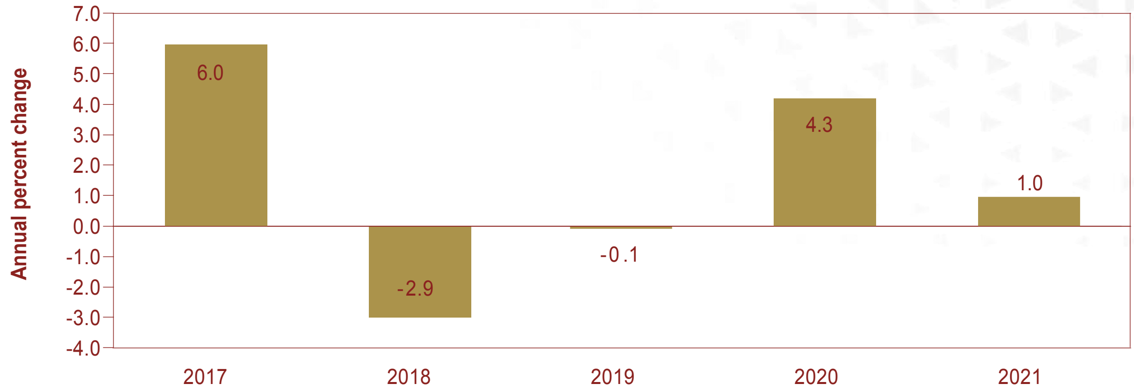


TABLE A.8 COMPOSITION OF CURRENCY IN CIRCULATION

DENOMINATION	2020		2021		CHANGE IN VALUE PERCENT
	VALUE (N$ MILLIONS)	VOLUME (MILLIONS)	VALUE (N$ MILLIONS)	VOLUME (MILLIONS)	
5c coin	14.4	288.0	14.5	290.0	0.7
10c coin	21.9	219.0	23.0	230.0	5.0
50c coin	16.6	33.2	16.8	33.6	1.2
N$1 coin	113.3	113.3	115.0	115.0	1.5
N$5 coin	69.2	13.8	71.6	14.3	3.5
N$10 coin	16.9	1.7	16.9	1.7	0.0
TOTAL COINS	**252.3**	**669.0**	**257.8**	**684.6**	**2.2**
N$10 notes	107.5	10.8	101.8	10.2	-5.3
N$20 notes	194.7	9.7	201.1	10.1	3.3
N$30 notes	91.1	3.0	136.5	4.6	49.8
N$50 notes	347.0	6.9	336.5	6.7	-3.0
N$100 notes	887.1	8.9	858.1	8.6	-3.3
N$200 notes	2 832.0	14.2	2 867.4	14.3	1.3
TOTAL NOTES	**4 459.4**	**53.5**	**4 501.5**	**54.4**	**0.9**
GRAND TOTAL	**4 711.7**	**722.5**	**4 759.4**	**739.0**	**1.0**

The Bank provides the public with secure banknotes with cutting-edge security features that render them easy to identify and difficult to counterfeit. Counterfeit banknotes recorded during the year under review declined significantly. The total number of counterfeit banknotes detected during the 2021 year was 155 pieces, down from 364 pieces in 2020 (see Table A.9 below).

Counterfeits in circulation continued to decrease, as is evident in Table A.9 below, with 2021 having the lowest number of counterfeits recorded in the past five years. Counterfeits remain of poor quality and are below the Bank's threshold of 10 pieces per million in circulation, as well as the industry standard of 70 pieces per million in circulation.

FIGURE A.10 COUNTERFEITS OVER THE PAST FIVE YEARS

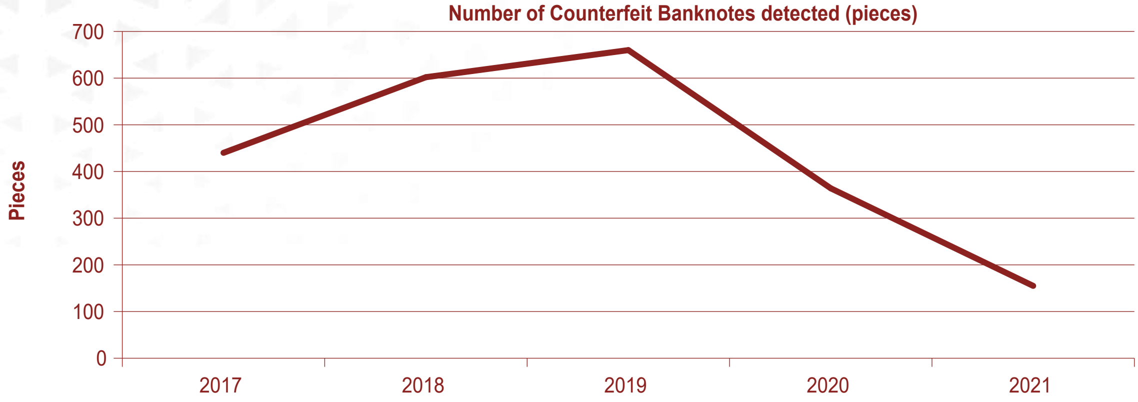


TABLE A.9 COUNTERFEIT NAMIBIA DOLLAR BANKNOTES

DENOMINATION	NUMBER OF COUNTERFEIT BANKNOTES DETECTED					COUNTERFEITS PER SINGLE DENOMINATION PER MILLION NOTES IN 2020	COUNTERFEITS PER SINGLE DENOMINATION PER MILLION NOTES IN 2021
	2017	2018	2019	2020	2021		
N$10	2	5	2	23	1	2	0
N$20	24	64	42	29	6	3	1
N$30	0	0	0	0	0	0	0
N$50	74	214	189	59	37	9	6
N$100	81	130	180	54	33	6	4
N$200	259	189	247	199	78	16	5
TOTAL	**440**	**602**	**660**	**364**	**155**	**7.9**	**3.03**

TABLE A.10 COUNTERFEIT NAMIBIA DOLLAR BANKNOTES PER SERIES

NOTES	N$10	N$20	N$50	N$100	N$200	TOTAL PIECES	TOTAL VALUE (N$)
New Series	1	6	36	33	76	152	20 430
Old Series	0	0	1	0	2	3	450
TOTAL	**1**	**6**	**37**	**33**	**78**	**155**	**20 880**

In compliance with the Bilateral Common Monetary Agreement between Namibia and South Africa dated 14 September 1993, the Bank continued to repatriate South African Rand banknotes deposited by the commercial banks to the South African Reserve Bank. During 2021, the value of Rand banknotes repatriated to South Africa by the Bank decreased substantially, with R150 million being repatriated in 2021, compared to R225 million in 2020. This equated to a 33.3 percent reduction in the total value of repatriations.

TABLE A.11 REPATRIATION OF SOUTH AFRICAN RAND BANKNOTES AND NAMIBIA DOLLAR BANKNOTES IN CIRCULATION

CALENDAR YEAR	VALUE OF RAND REPATRIATION		N$ IN CIRCULATION	
	RAND (MILLION)	CHANGE IN VALUE (PERCENT)	N$ (MILLION)	CHANGE (PERCENT)
2017	225.0	-62.5	4 658.5	6.0
2018	150.0	-33.3	4 362.7	-6.3
2019	225.0	50.0	4 414.3	3.6
2020	225.0	0.0	4 711.7	6.7
2021	150.0	-33.3	4 759.4	1.0

CURRENCY RESEARCH

During the year under review, the Banking Services Department conducted research on the "Impact of Digital Payment Instruments on the Future of Cash in Namibia". The research emanated from the realisation that there are an increasing number of digital payment methods available in the country. This trend is fuelled by changing customer preferences and expectations, enhancements to traditional payment mechanisms, new technologies, and the adaptation of existing technologies. This metamorphosis has provided new ways of effecting payments and has challenged the status quo regarding regulations and legislation applicable to the industry. Furthermore, digital payment instruments bring a competitive element to the industry and provide various opportunities to new market entrants.

Existing studies have mostly approached this topic from the perspective of advanced economies, with less work having been done to gauge the desirability of eliminating cash in favour of digital payments in emerging economies. Moreover, no work has been done in the Namibian context, which underlines the importance of the study. The paper assessed the impact of digital payments on the future issuance of cash by analysing different payment instruments in Namibia between 2015 and 2020.

The study revealed that although the usage of digital payments has increased tremendously over the past years, there was also a significant increase in the value of cash in transit in 2017 and 2020. The study further concluded that given the various factors that drive the demand for currency, cash in Namibia is neither declining in importance nor threatened by the emerging digital payment methods. Cash will continue to endure alongside other payment instruments within the Namibia Payment System.

LOOKING AHEAD

In 2022, the Bank will:

- ensure the sufficiency of supply and the integrity of currency;
- modernise and automate the Government's banking operations with the aim of enhancing operational efficiency;
- continue its research into security features for future banknotes and coins;
- expand its research on the use of cash and digital currencies;
- enhance the security posture of the Bank; and
- develop a new digital education tool for the national currency.

STRATEGIC OBJECTIVE 5: PROMOTE A POSITIVE REPUTATION

INITIATIVES AND STRATEGIES	STRATEGIC OUTCOMES	ACTUAL OUTCOMES	STRATEGIC OBJECTIVE ACHIEVED (YES/NO)
5.1 Enhanced corporate image	Positive media tone of more than 80 percent based on systematic media analysis	The Bank achieved a positive media tonality of 84.4 percent for the period under review.	Yes
	Achieve 70 percent attendance of targeted audience at Bank events. Stakeholder confidence in the Bank measured by satisfaction of > 80 percent based on minimum response rate of 70 percent	The events hosted by the Bank continued to be well subscribed with an attendance above the 70 percent audience target. The average stakeholder satisfaction rate was 83.5 percent, based on a response rate of 72 percent, as measured through the 2019 External Stakeholder Perception Survey.	Yes

ENHANCED CORPORATE IMAGE

The Bank of Namibia maintained its positive corporate image, by strengthening and maintaining long-term relationships with various stakeholders, policymakers, and opinion leaders. During the year under review, the Bank recorded 84.4 percent positive media tonality based on a systematic media analysis of news articles featuring the Bank and its activities. Events organised by the Bank continued to attract stakeholders and set the agenda for endeavours related to economic growth.

PUBLIC EDUCATION

The Bank has undertaken to raise its profile amongst the public by creating awareness of its role. The Bank's Public Education Programme continued to educate various stakeholders on issues relating to its functions, role, and operational activities. To fulfil this role, effectively, the Bank approved a consolidated public education strategy to be implemented in a phased approach: 2021 – 2023. The Strategy supports the Strategic Plan of the Bank by leveraging on enabling technologies and digital innovations to enhance its communication and public education capability. The Bank's public education activities are used to strategically position the Bank as a vital institution that contributes meaningfully to society by addressing the lack of awareness of the mandate and functions of the Bank, financial literacy, media engagement and visibility.

In the past, the Bank issued statements declaring business models of various financial schemes to be illegal, which proved to be ineffective in deterring the proliferation of such activities. For this reason, the Bank launched an illegal financial schemes campaign which centred on changing perceptions and behaviour using a consumer protection-oriented approach. By making use of this approach, the Bank is now viewed as predominantly protecting the vulnerable in society from unscrupulous schemers instead of simply stifling investment opportunities, as previously perceived. Plans are underway to roll-out a campaign on alternative investment and savings options.

Campaign material

The Bank of Namibia initiated a campaign encouraging Namibians to get vaccinated. The campaign was meant to support and boost the national vaccination campaign. The Bank has realised that an effective way to salvage the economy is to prioritise vaccination across the country. While vaccination remains voluntary in Namibia, a high level of vaccination will dramatically reduce severe disease and mortality and facilitate a return to economic activity that is not impaired by the pandemic. To this end, several initiatives, including public engagements, multi-media messages encouraging Namibians to get vaccinated, and radio competitions were broadcast on all radio stations of the Namibia Broadcasting Corporation (NBC). Furthermore, a radio competition was launched to create an incentive for the public to get vaccinated. For participation in this competition, members of the public were required to be newly vaccinated from October 2020 to January 2021. Another leg of the competition targeted the Namibian youth studying at tertiary institutions. The participants won weekly hampers and monthly cash prizes while students won scholarships that will be paid directly to the tertiary institutions.

The Bank proudly hosted its first ever Bank of Namibia Tertiary Institutions’ Debating Challenge on 28 September 2021. The competition was hosted in support of the country’s identified need to educate the nation on the functions of the central bank and its role in the economy. UNAM and NUST locked horns as inaugural participants in this Debating Challenge. The questions to be answered in the first debate were: “Have the central bank’s monetary policy stance and other additional policy measures been effective since the start of the COVID-19 pandemic? What has been the evidence thus far and lessons learned?” The focus was on the unprecedented measures implemented by the Bank since April 2020, such as the significant reduction in the Repo rate and policy relief measures to commercial banks which enabled the country to weather the COVID-19 storm.

The UNAM team won the inaugural Challenge. The judging panel consisting of Ms Florette Nakusera as Head Judge, Mr Emile van Zyl, former Technical Advisor to the Governor, and Ms Hamunime Naufiku, who served as the external judge, awarded the winning prize of N$10 000 to the UNAM team, and the runner-up prize of N$5 000 to the NUST team. Nchimonya Mweetwa, a 4th-year student from UNAM, received the best speaker award, walking away with a cash prize of N$2 500.

This initiative augments current efforts to proactively engage the youth at tertiary institutions doing advanced economic studies to apply their theoretical knowledge acquired in lecture halls to topical real-life, experiential issues. The Bank believes that the Debating Challenge provides a platform for students who would otherwise not have had an opportunity to gain knowledge of the central Bank's roles and operations.

UNAM's winning debating team, together with BoN's Deputy Governor, Mr Ebson Uanguta

The second prize winners representing NUST, together with BoN's Deputy Governor, Mr Ebson Uanguta

Nchimonya Mweetwa, a 4th -year student from UNAM, receiving the best speaker award.

The effort to provide simplified, attractive content to the public continued in 2021. Referred to as “the layering of messages”, the process aims to provide readers with simplified, clear and easily comprehensible messages. This is done by giving infographic representations of critical messages on various economic and financial developments as covered in the publications of the Bank. Infographics make the information easily accessible to the public.

CORPORATE SOCIAL INVESTMENT AND RESPONSIBILITY

As a responsible corporate citizen, the Bank places Corporate Social Responsibility and Investment at the heart of its interactions with stakeholders. During the year under review, the Bank also sponsored various activities. The sponsorships were targeted at various institutions and initiatives that demonstrated the potential to contribute to the attainment of Namibia’s developmental, economic and social empowerment goals. Below are some of the major projects and activities that benefited from the sponsorships:

COVID-19 exacted a huge toll on the Namibian nation during the year under review. In its quest to curb the spread of the COVID-19 virus, the Bank announced the sponsorship and donation of COVID-19 medical equipment to the Ministry of Health and Social Services as part of its Corporate Social Investment and Responsibility programme. With an explicit commitment to contribute to national efforts to combat the COVID-19 pandemic, the Bank sponsored consignments containing medical equipment worth N$11 million, the construction of an oxygen plant in Zambezi Region, and the refilling of an existing plant in Rehoboth. Donations to Omusati, Kunene, Omaheke, Hardap and Karas regions were also made.

These donations were in addition to the N$3 million given to the Ministry in February 2021, and were intended to address actual needs at a national level which were accentuated by the third wave of the COVID-19 pandemic. The total investment stands at N$14 million.

BoN Governor, Mr Johannes !Gawaxab, Director: Exchange Control and Legal Services, Mr Bryan Eiseb, and Deputy Director of Corporate Communications, Mr Kazembire Zemburuka handing over the equipment to the Minister of Health and Social Services, Hon. Dr Kalumbi Shangula and Ministry officials as part of the Bank's N$11 million COVID-19 Sponsorship on 5 November 2021

BoN Governor, Mr. Johannes !Gawaxab, handing over equipment as part of the N$3 million donation on 20 January 2021 to the Minister of Health and Social Services, Hon. Dr Kalumbi Shangula,

Erongo Regional Governor, Hon. Neville Andre, receiving the donation from BoN Deputy Governor, Mr Ebson Uanguta; N$1 million of the N$3 million was medical equipment for Erongo Region.

Director: Payment and Settlement Systems, Ms Barbara Dreyer, handing over medical equipment to senior staff of the Outapi State Hospital

To combat COVID-19, an oxygen plant and other medical equipment were donated to the Katima Mulilo State Hospital in Zambezi Region. Here BoN Director of Financial Markets, Mr Nicholas Mukasa, hands over the equipment to the Deputy Minister of Health and Social Services, Dr Esther Muinjangue, who thanked the Bank for recognising the challenges Zambezi Region health system is faced with.

The memorandum of agreement signed between the Bank and the Namibia Training Authority (NTA) to the value of N$4.5 million over a 3-year period concluded in 2021. It provided the opportunity for 50 apprentices to undergo intensive on-the-job training in agriculture, and as tour guides and auto mechanics. During the year under review, 14 tour guides successfully completed their apprenticeships, and a graduation ceremony was held.

The Bank granted bursaries to Namibian students, enabling them to pursue undergraduate and postgraduate degrees in areas relevant to the operations of the Bank. As part of the Bank's social responsibility actions in support of the country's effort to build human capacity, the Bank continued to offer financial support to Namibian students to complete their undergraduate and postgraduate studies in fields related to the Bank's operations. In 2021, eleven undergraduate bursaries were awarded to students to study at recognised institutions in the SADC region in the fields of General and Chartered Accounting, Financial Management, Financial Mathematics, Actuarial Science, and Science Education. In addition, the Bank continued with the special bursary provision for four students from marginalised communities, with the aim of funding more students from these communities to study in the fields related to the Bank's operations or in the field of Education with specialisation in Science. This brought the total number of undergraduate bursaries to 35 for the 2021 fiscal year (Table A.13). A total of 168 undergraduate bursaries and postgraduate scholarships have been awarded by the Bank since 2003; of these, 58.9 percent were female recipients, and 41.1 percent were male recipients.

TABLE A.12 NAMIBIAN STUDENTS SPONSORED BY THE BANK'S UNDERGRADUATE BURSARY SCHEME

FIELD OF STUDY	2016	2017	2018	2019	2020	2021
Accounting/Finance/CA	13	10	11	7	5	10
Computer Science/IT	2	1	0	2	4	6
Economics	8	11	12	16	15	9
Actuarial Science	1	2	2	1	1	1
Education (Accounting and Science)	4	4	4	3	3	4
Education (Environmental Biology)	-	-	-	2	2	2
Applied Maths & Statistics	0	0	0	0	2	2
Financial Mathematics	0	0	0	0	0	1
TOTAL	**28**	**28**	**29**	**31**	**32**	**35**

STRATEGIC OBJECTIVE 6: PROMOTE FINANCIAL SECTOR DEVELOPMENT

INITIATIVES AND STRATEGIES	STRATEGIC OUTCOMES	ACTUAL OUTCOMES	STRATEGIC OBJECTIVE ACHIEVED (YES/NO)
6.1 Promote financial sector development	Namibia Financial Sector Strategy (NFSS) implementation coordinated in line with agreed implementation action plan	The Bank continued to coordinate and execute initiatives aimed at reforming the financial sector and improving access to finance for individuals and SMEs.	Yes

FINANCIAL SECTOR DEVELOPMENT

During the period under review, the Bank continued to play a key role in the coordination and execution of projects and initiatives contained in the Namibia Financial Sector Strategy (NFSS). The NFSS was launched in 2012 to address identified weaknesses and chart the road ahead for the Namibian financial sector. The strategy focuses on the following five identified reform areas: financial markets deepening and development; financial safety net; financial inclusion; localisation of the Namibian financial sector; and skills development in the financial sector.

The Financial Institutions and Market Act (No. 2 of 2021) was gazetted during the period under review. One of the identified areas of focus of the NFSS is the need to deepen and develop Namibia's financial markets. With the Financial Institutions and Market Act now published in the Government Gazette, the work on the demutualisation of the Namibian Stock Exchange (NSX) has reached an advanced stage. Another initiative under this reform area that will enhance financial markets development is the establishment of a Central Securities Depository, which is a specialist financial organisation that aims to keep record of securities such as shares and government stocks in uncertificated (dematerialised) form, so that ownership can easily be transferred through a book entry rather than the transfer of physical certificates. In this connection, Standards/ Regulations for the Central Securities Depository were submitted to the legal drafters during the review period, and once gazetted, application for a license will commence.

To ensure the financial safety net as envisaged by the NFSS, the Namibia Deposit Guarantee Authority (NDGA) was officially launched on 22 April 2021, and the institution also presented its first Annual Report at that occasion. The Bank continued to support the administration of the NDGA during 2021. The institution was established in 2018 and operationalised in 2019 to administer the Namibia Deposit Guarantee Scheme. The main aim of the Scheme is to ensure that depositors are reimbursed in an efficient and transparent manner in the event of a bank failure. Although the NDGA is an independent institution, it is administratively supported by the Bank in line with a Service Level Agreement signed between the two institutions.

The enhancement of financial inclusion remained a priority for the Bank during the review period. Under the stewardship of the Ministry of Finance, the Bank continued to provide technical support to the implementation of the SME Financing Strategy, with a view to enhancing financial inclusion. The Strategy involves three complementary facilities, namely the Credit Guarantee Scheme, the Catalytic First Loss Venture Capital Fund and the Mentoring and Coaching Programme, which are being implemented in phases. In addition to providing funding toward the capitalisation of this Strategy, the Bank played a crucial technical role that saw the operationalisation of the Credit Guarantee Scheme on 18 August 2020. Although the operationalisation of the Strategy has been delegated to the Development Bank of Namibia, the Bank continued to spearhead consultations with relevant stakeholders during the year with the aim of speeding up the operationalisation of the remaining facilities under the SME Financing Strategy.

During 2021, the Bank continued to provide financial and technical support to the Financial Literacy Initiative. As a platform supporter of the National Financial Literacy Initiative since 2012, the Bank participated by serving on a working group that was specifically set up for the drafting of the National Policy on Financial Education during the year under review. The

BoN Governor, Mr Johannes !Gawaxab, pictured with the Minister of Agriculture and Land Reform, Hon. Calle Schletwein, the Leader of the Official Opposition, Hon. McHenry Venaani, Member of the National Assembly Standing Committee on Natural Resources, Hon. Gordhardt Kasuto, and members of the Board of Directors of the NDGA at the official launch of the NDGA and the institution's first Annual Report.

Policy aims to outline a clear vision for the identification, planning and coordination of national financial education programmes in Namibia, and defines the necessary institutional arrangements for implementing financial literacy programmes. The Policy was endorsed by the Financial Inclusion Council Advisory Body in October 2021. Once all stakeholder consultations have been completed, the Policy will be presented to the Financial Inclusion Council before it is tabled before Cabinet for final approval. Financial literacy is an important factor for ensuring the attainment of financial inclusivity, as individuals and entities can only be active participants in the financial sector when they are well informed about the various services and products offered and have a clear understanding of their roles and responsibilities.

During the year under review, the Bank continued to work closely with NAMFISA and other stakeholders on the finalisation of the draft Consumer Credit Policy and the drafting of the Consumer Credit Bill. The draft Policy was approved by the Financial Inclusion Council at its meeting in November 2021, while the drafting process of the Consumer Credit Bill is ongoing. Once enacted, the Consumer Credit Bill will consolidate outdated laws regulating consumer credit, such as the Credit Agreements Act (No. 75 of 1980), as amended, and the Usury Act (No.73 of 1968), as amended, and will regulate all consumer credit-related issues in Namibia. The regulation of consumer credit issues is an important component of ensuring a comprehensive and effective consumer protection framework.

In line with the expectations of the NFSS 2011–2021, the Bank of Namibia coordinated the finalisation of the exercise of mapping out the skills gap in the Namibian financial sector and the development of a Skills Enhancement Plan. This is an initiative by the financial sector in collaboration with four Namibian institutions of higher learning. The Plan encompasses the provision of critical short courses and professional certification, as well as the provision of input into the curriculum of the various qualifications offered by the four training institutions. This is based on the realisation that skills enhancement for the financial sector is an important pillar supporting the transformation of the sector to meet current and future needs in an inter-connected and fast-changing financial landscape. Several short courses were identified as being critical for the sector, and eight (8) of these have been selected to form part of a pilot programme. The rollout of the pilot programme is planned to take place during the first half of 2022.

STRATEGIC OBJECTIVE 7: ENHANCE CONTRIBUTION TOWARDS SUSTAINABLE ECONOMIC GROWTH

INITIATIVES AND STRATEGIES	STRATEGIC OUTCOMES	ACTUAL OUTCOMES	STRATEGIC OBJECTIVE ACHIEVED (YES/NO)
7.1 Deliver and assist with implementation of relevant and high-quality policy advice	>80 percent of national economic policy advice accepted, and 60 percent implemented within a period of five years	86 percent of national economic policy advice was accepted, while 71 percent was implemented during the period under review	Yes
7.2 Deliver innovative and quality research output	At least one of the working and occasional papers per year published in a peer reviewed journal and presented at conferences in Namibia	One research paper was presented at the BoN-UNAM research seminar ("The Impact of Fiscal Deficit on Inflation in Namibia").	Yes
7.3 Promote regional integration	Advice on regional integration matters accepted and implemented	The Bank has been made responsible for implementing 9 of the 12 annexes of the SADC Finance and Investment Protocol; the implementation progress was monitored in 2020. It is evident that the impact of the pandemic, coupled with domestic structural challenges and adverse climatic conditions have impacted the economic performance of many countries in the SADC region, including Namibia, and the implementation of some of the annexes.	Yes

POLICY RESEARCH AND ADVICE

As part of its statutory mandate, the Bank is required to provide policy advice to the Government. In this regard, the Bank conducts economic and financial research, as well as other research of strategic importance. The main aim of the research undertaken by the Bank is to inform specific policy direction and actions. The following is a summary of activities and research carried out in 2021:

The Bank held its 22nd Annual Symposium during the year in review, under the theme "*Namibia beyond COVID-19: Digital Transformation for sustainable economic development*". Several policy recommendations emanated from the symposium:

- There is a need to invest in education, training, and retraining to ensure the presence of necessary skills for a digital economy.
- Regulatory reforms that are necessary to fast-track digital transformation must be expedited. There is a need for laws to be amended and policies to be put in place to ensure digital transformation in the country.
- There is a need for collaboration within the different organisations for data and infrastructure sharing that will drive business growth.
- It is essential that Namibia continually invests in the development of digital infrastructures to meet existing and future demands and help bridge digital divides.
- Funding structure of e-Government: The Government alone may not have adequate resources to fund

and manage the different facets of e-Government. It is therefore important that considerable efforts be made in the Namibian context to practically explore public-private partnerships and cloud-funding models with actors drawn from both internal and external environments.

The Bank continued to provide the Ministry of Finance with technical advice on Government debt sustainability. Debt sustainability analysis is an important element in the macroeconomic analysis of fiscal policy. Three debt sustainability analysis reports were prepared and submitted to the Ministry of Finance during 2021. A careful analysis of Namibia's macroeconomic and fiscal indicators confirms that considering the country's widened fiscal deficit and the projected decline in public revenue on the back of the anticipated slow pace of economic recovery, Namibia needs to develop a domestic revenue mobilisation strategy that is aimed at improving efficiency in revenue collection, simplifying tax codes, and reducing tax evasion to enhance revenue collection in the country. This should be spearheaded by the Ministry of Finance in conjunction with the newly established Namibia Revenue Agency. It is also imperative for the Government to create a conducive and enabling environment that promotes private sector-led growth. Further, the Government should focus on developing a stabilisation fiscal path that goes beyond the Mid-term Expenditure Framework (MTEF).

During 2021, the Bank published two working papers in the field of monetary policy with the aim of providing policy advice to the MPC and informing the public about its research activities. The first paper is on "The impact of financial innovation on the demand for money and its implications for monetary policy in Namibia". The paper investigates the impact of financial innovation on the demand for money and draws implications for monetary policy in Namibia. The paper suggests that the demand for money in Namibia is mainly determined by prices and interest rates, and that the money demand function is unstable irrespective of the inclusion or exclusion of a financial innovation variable. The instability of the money demand function confirms that the current monetary policy framework does not rely exclusively on the full control of the broad money aggregate, due to the fixed exchange rate regime. The policy recommendations for monetary policy relate to enhanced awareness and responsiveness of the monetary authority to the likely impact that financial innovation might have on key monitored monetary aggregates, changes to their definitions, and potential variations to the monetary policy transmission mechanism as economic and financial transactions become more complex in an increasingly digital global economy.

The second paper is on "The asymmetric determinants of money demand in Namibia: The NARDL approach". The study provides new insight on the asymmetric determinants of money demand in Namibia using the NARDL (nonlinear autoregressive distributed lag) approach. The results illustrate techniques for estimating asymmetric long-run equilibrium relationships between money demand and its explanatory variables, where increases and decreases in explanatory variables do not bring about effects of equal magnitude. Significant changes in prices, the real interest rate and real income are shown to have a significant impact on the demand for money in Namibia.

INTERNATIONAL AND REGIONAL COOPERATION

The collaboration between the Bank and other central banks and international institutions continued in 2021. The Bank continued to strengthen its cooperation with the International Monetary Fund (IMF), the World Bank Group (WBG), and the Alliance for Financial Inclusion (AFI). At the continental level, as a member of the Association of African Central Banks (AACB), the Bank participated in meetings and seminars on regional and continental monetary integration, and banking and payment system issues. Furthermore, the Bank continued to participate in SADC activities through the Committee of Central Bank Governors and other regional structures. Additionally, the Bank also attended the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) Board meetings. As has become the norm, the Bank actively participated in the CMA and SACU activities. The details of each cooperation arrangement are presented below.

Cooperation with the International Monetary Fund and the World Bank Group

The Bank participated in the annual meetings of the Boards of Governors of the IMF and the WBG in 2021. The annual meetings were held virtually from Washington, DC, during 11-17 October 2021. The annual meetings brought together central bankers, ministers of finance and development, parliamentarians, private sector executives, representatives from civil society organisations and academics to discuss issues of global concern, including the World Economic Outlook, poverty eradication, economic development, and aid effectiveness. The meeting discussions centred around the theme "Vaccinate, Calibrate and Accelerate", which was the IMF Managing Director's Global Policy Agenda. Specifically, the International Monetary and Financial Committee (IMFC) members of the Board of Governors of the IMF elaborated on the actions and measures taken by member countries to combat COVID-19 and facilitate economic recovery.

The Bank supported the Ministry of Finance to access the IMF Rapid Financing Instrument in 2021. The Rapid Financing Instrument (RFI) is a financing facility extended to IMF member countries to address urgent balance of payment and fiscal financing needs triggered by the COVID-19 pandemic. The responses to the pandemic include the purchase of vaccines and deployment of the vaccination campaigns, and interventions needed to mitigate the severe socio-economic impact. Namibia accessed US$270.83 million under the facility.

Employees of the Bank attended virtual specialised training offered by the Regional Technical Assistance Center in Southern Africa (AFRITAC South). The Bank staff members attended training on fiscal policy analysis, monetary policy and exchange rate regimes, and macroeconomic diagnostics. Towards the end of 2021, AFRITAC South successfully assisted the Bank through its technical assistance programmes to transition from the CAMELS[8] ratings System to Risk Based Supervision Ratings Approaches to enhance the coordination between the Off-site Analysis and On-site Examination Methodologies. Through a request by the Bank, AFRITAC South also provided technical assistance to capacitate the Automated Clearinghouse, NAMCLEAR to finalise the Principles for Financial Markets (PFMI) self-assessment.

Specialised virtual workshops and webinars were offered through the World Bank's Reserves Advisory and Management Program (RAMP). The latter was developed within the World Bank Treasury, and it aims at building human capital, delivering asset management services, and convening a network of practitioners Staff members of the Bank participated in online training and workshops offered by RAMP. Under the RAMP investment management and consulting agreement, the Bank receives technical advisory and asset management services. For the year under review, staff members of the Bank attended virtual workshops on fundamentals of fixed income risk management, management of an external asset manager programme, governance, and fundamentals of asset allocation for reserve managers, artificial intelligence and machine learning, and portfolio management, as well as on legal aspects of governance and asset management. Staff were also afforded an opportunity to participate in several one-hour webinars with a particular focus on global economic and market performance and outlook.

Cooperation with the Alliance for Financial Inclusion

As a member of the AFI, the Bank continued to participate in relevant activities and programmes of the Alliance during the year under review. AFI is the world's leading organisation on financial inclusion policy and regulation. The Alliance is a member-owned network that aims to promote and develop evidence-based policy solutions that improve lives of the poor through the power of financial inclusion. During 2021, the Bank continued to work with AFI on the implementation of two major projects through the AFI In-country support programme to member institutions. The one project, spearheaded by the Financial Intelligence Centre, entails the development of a framework to guide the licensing and supervision of fintechs to enhance financial inclusion without compromising the integrity of the financial system. This project is currently on track and consultations with the relevant stakeholders, that will inform the development of the framework, are on-going. The other project entails the development of a country-specific template to collect supply-side data. Since commencement of the project, the Bank has completed the peer learning exercise with identified

8 CAMELS stands for "Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity." It is an international rating system used by regulatory banking authorities to rate financial institutions, according to these six factors.

Central Banks within the AFI network, namely the Bank of Zambia, Central Bank of Philippines, and Central Bank of Ghana. The templates for both banking and non-bank industries have been developed during the year and workshops were held with stakeholders in the banking industry for the regulated entities to review and adopt the designed template. Similar workshops will also be conducted with stakeholders in the non-bank industry in 2022 for the same purpose. The Bank further partook in the SME Financing Working Group and Digital Financial Services Working Group meetings, as well as in meetings of the AFI Africa Region Expert Group on Financial Inclusion, which were conducted virtually during the year under review.

Cooperation with the Association of African Central Banks

The Bank actively participated in the activities of the Association of African Central Banks (AACB) in 2021. The Governor and officials attended the 43rd ordinary meeting of the AACB Assembly of Governors, hosted by the Banque Centrale du Congo in August 2021. As a prelude to the ordinary meeting, a symposium themed ''African Economies and the COVID-19 Pandemic: Crisis Management and Policies for the Economic Recovery", took place. The Bank also took part in the activities of the Community of African Banking Supervisors (CABS) and attended meetings of the CABS Working Group on Cross-border Banking Supervision. As an active member of the Payments Integration Working Group, established under the auspices of the AACB, the Bank participated actively in its activities to ensure that an appropriate continental integrated payments capability is in place to support and facilitate trade on the continent.

Cooperation with the Macroeconomic and Financial Management Institute of Eastern and Southern Africa

The Bank participated in the annual meetings of the Board of Governors of the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), alongside the 2021 IMF/WBG annual meeting. Both meetings were held virtually. The three institutions, namely MEFMI, the IMF and the WBG, collaborate in providing training in the areas of debt management, macroeconomic management, and financial sector management.

Cooperation with the Committee of Central Bank Governors in the SADC

The Bank continued to participate in the activities of the Committee of Central Bank Governors in the SADC in 2021, and the Governor and senior officials of the Bank participated in its meetings. The meetings discussed issues related to economics, financial developments, the payments system in the SADC region, and the SADC's progress towards monetary integration, as well as strategies on how to emerge from the setbacks to the convergence process of SADC economies caused by COVID-19.

Cooperation with Common Monetary Area Structures

As a member central bank of the CMA, the Bank continued with its active participation in CMA activities and related issues. The CMA central bank governors' meetings assessed recent economic developments in member countries as well as global economic developments and the impact of COVID-19 on the CMA economies. In addition, the meetings discussed issues related to payment systems, exchange control, banking regulation and supervision, and financial stability. Moreover, common risks and challenges confronting CMA countries and policy options to address these risks and challenges were also discussed. The three meetings that were held in 2021 were hosted virtually in February, July and November.

Cooperation with the Southern African Customs Union

The Bank continued to provide technical support to the Namibian Government on SACU-related matters during 2021. The Bank participated in meetings of the SACU Commission, the Finance and Audit Committee, and the Task Team on Trade Data Reconciliation, among others. The Bank also contributed to the SACU Draft Strategic Plan and Organisational Structure 2022–2027 document.

STRATEGIC OBJECTIVE 8: OPTIMISE ORGANISATIONAL EFFICIENCY AND COST-EFFECTIVENESS

INITIATIVES AND STRATEGIES	STRATEGIC OUTCOMES	ACTUAL OUTCOMES	STRATEGIC OBJECTIVE ACHIEVED (YES/ NO)
8.1 Manage risk effectively	All gaps identified and mitigating strategies for medium and high risks implemented within the agreed time frame	The 2021 Audit Plan was executed. Sufficient audit coverage was obtained to express an opinion on the risk management practices, controls and governance processes of the Bank. Areas of improvement were highlighted, and an action plan is in place. As of 31 December 2021, the cure rate for the audit findings was 99.8 percent, and 99 percent for the risk actions. 44 operational risk incidents were reported in 2021 compared to 22 in 2020.	Yes
8.2 Ensure that the Bank can function in the event of a disaster (business continuity)	A tested Crisis Management Plan is in place	The Bank continued with the Work from Home Plan to mitigate the impact of COVID-19; 70% of the staff worked from home, while those who execute essential services that cannot be done at home worked from the office. The Bank's Crisis Management Team (CMT) continuously monitored the situation and followed guidelines laid down by the Government to curb the COVID-19 pandemic in line with the work-from-home arrangement. The Bank completed the two planned Business Continuity Plan exercises virtually to ascertain that the Plan remains viable in a work-from-home dispensation. The Cyber Incidents Response Plan was tested.	Yes

INITIATIVES AND STRATEGIES	STRATEGIC OUTCOMES	ACTUAL OUTCOMES	STRATEGIC OBJECTIVE ACHIEVED (YES/ NO)
8.3 Enhance a high-performance-driven culture, which lives the Values of the Bank and strategic talent management	The Bank achieves all (100 percent) of its goals	99 percent of the stated goals were achieved.	No
	100 percent of staff members live the Bank's Values	100 percent of the Bank's staff were found to be living its Values.	Yes
	95 percent of the critical talent of the Bank are retained	The Bank retained 100 percent of its critical staff in 2021.	Yes
8.4 Manage the Bank's financial resources and affairs in a prudent manner	Annual Financial Statements in compliance with the Bank of Namibia Act, the Financial Intelligence Act and International Financial Reporting Standards	The Bank consistently obtained an unqualified audit report, in compliance with International Financial Reporting Standards.	Yes
8.5 Ensure functionality, security and availability of facilities, other assets and infrastructure that support its operations in an environmentally friendly manner			
	Security systems and equipment are functional and maintain 97 percent availability to provide maximum protection to employees and the Bank's assets	Security systems have been functional at more than 97 percent and provide maximum protection to employees and Bank assets.	Yes
	97 percent availability and functionality of all facilities, other assets and infrastructure that support the Bank's operations in an environmentally friendly manner	98 percent facilities availability was achieved during the period under review.	Yes
8.6 Manage technology to optimise Bank operations	Relevant and secure IT systems that are 99.9 percent available (8 hours off-time)	The Bank realised an overall availability of 99.7 percent for critical systems and infrastructure during 2021, marginally missing the target.	No
8.7 Ensure efficient procurement practices	Procurement practices that result in cost savings of 1.0 percent	The Bank continued to apply effective and efficient procurement practices during 2021, in line with its Procurement Policy, with oversight from the Tender Committee, and achieved its objectives for the year.	Yes
8.8 Manage the legal affairs of the Bank	All court matters handled in terms of the timelines set out in legislation, court rules and practice directives	All litigation matters in the courts handled by either the Bank or instructed law firms adhered to the strict rules of the courts.	Yes
	All contracts managed in terms of the Bank's Contract Management Procedures	The Bank has implemented a new Contract Management System; all existing contracts migrated to the new System.	Yes

RISK MANAGEMENT AND ASSURANCE

Effective risk management is fundamental to achieving the Bank's objectives. As a result, the Bank's risk management function facilitates enterprise risk management practices across the board to manage risks in a proactive, coordinated, prioritised and cost-effective manner in line with the Bank's risk appetite and tolerance levels. The risk management assessment includes monitoring and responding to potential and actual political, economic, social, technological, environmental and legal risks arising from global and domestic environments that affect the Bank and threats that affect the strategic initiatives and projects of the Bank. The top strategic and operational risks and their identified response strategies continued to be reviewed and monitored continuously at the Bank's quarterly Risk Management Committee, Audit Committee and Board meetings.

Enterprise risk management activities are designed to increase the probability of success and reduce uncertainty relating to the achievement of the Bank's objectives. In 2021, 44 operational risk incidents were reported, up from 22 in 2020. These were risk events resulting from a failure of people, processes or systems, or external events that could bring about losses or near misses. No actual financial losses were incurred. Remedial actions to address, wherever possible, the root causes of the incidents in question were identified and appropriate measures were introduced. The Bank's risk universe, which is a central repository of all the risks that could affect the Bank and is intended to provide a better understanding of inherent risks, was updated.

The Bank continues to ensure compliance with applicable laws and regulations through the Bank-wide compliance management procedure. The current legal and regulatory environment was scanned to update the current regulatory universe. Following the approval of the whistleblowing policy in 2020, the Bank is currently finalising the whistle-blower hotline with the identified service provider before awareness raising and implementation can be effected.

Monitoring of compliance with applicable regulatory requirements was carried out by the various departments during the period under review. The aim of this monitoring process is to ascertain the compliance status and engender a culture of adequate compliance with the relevant laws, regulations, policies and procedures; gaps were highlighted. Out of the 25 planned compliance monitoring activities for 2021, 14 were completed. The rest were postponed to 2022 due to either policy review, process changes or workload. Corrective actions were identified for the noted shortcomings, and their implementation was monitored by the Bank's risk management function. Reporting on compliance risks to the Risk Management Committee and the Audit Committee was done on a quarterly basis.

The Bank maintains a dedicated Business Continuity Policy, which seeks to identify, manage and mitigate potential impacts on the Banks operations of disruptive incidents. The Risk Management and Assurance Department provides centralised coordination of the Bank's Business Continuity Policy and facilitates business continuity impact assessments and business continuity plans for all departments. The Bank continued with the work-from-home plan which allowed 70 percent of the Bank's employees to work from home. The key priority was to protect people while ensuring maximum delivery on business operations. The Bank also ensured that sufficient resources were immediately obtained to ensure that staff were supported to work from home. IT capabilities were strengthened so that they would remain resilient, and regular virtual cyber security awareness sessions were held. The Cyber Incident Response Plan was tested for the first time, and while the outcome was satisfactory, lessons were learnt, and are being implemented.

The Internal Audit Department provides objective and independent assurance on the adequacy and effectiveness of the Bank's governance, risk management and controls processes. The approved risk-based Internal Audit Plan for 2021 provided comprehensive assurance regarding the processes which manage key risks. This was undertaken as planned, and all material issues that arose were reported to the appropriate level of management and to the Board's Audit Committee. As per the completed assignments, sufficient audit coverage was achieved that enabled the Bank to state that it had adequate and effective risk management practices, and that controls and governance processes were in place for the achievement of the objective of the Strategic Plan.

Tracking and accountability for corrective actions on issues raised during audits were prioritised by way of quarterly reporting to the Audit Committee in respect of the Bank-wide cure (resolution) rate. The cure rate result for December 2021 was 99.8 percent (2020: 99.4 percent), which is still below the required target of 100 percent.

SECURITY AND SAFETY MANAGEMENT

The Bank has efficient and effective security systems in place. By virtue of its creation and operational requirements, the Bank is a Key National Point. The Bank deploys a Security Operations Management System consisting of physical security, electronic hardware, procedures, and personnel to ensure the safety and maximum security of its critical assets, staff and visitors. During the period under review, the Bank ensured that all its assets, staff and visitors were duly protected.

The security systems of the Bank need to be of the highest standard. The Bank has consequently embarked upon a project to upgrade its surveillance system. The upgrading of the system will improve the Bank's security posture and enable the Security Division to provide effective security management for the Bank's assets.

MANAGEMENT OF LEGAL AFFAIRS

The Legal Services Division is responsible for managing the legal affairs of the Bank. The division also provides company secretarial services to the Board. During 2021, the division managed and coordinated one labour dispute and three disputes on regulatory interventions. All these matters are pending in the High court. The Bank has a panel of external legal counsel who litigate on its behalf.

HUMAN RESOURCE DEVELOPMENTS

Organisational Development and Workplace Culture

The impact of the pandemic became more evident in 2021, presenting the Bank with challenges and opportunities. The staff of the Bank rose to the challenge of transforming their manner of doing business and preparing for the new world of work. Driven by the value of high-performance in the Bank, they responded with concerted efforts to understand digital transformation, and embed it as part of their culture. Employees responded to the plight of high levels of employment loss and hardship in the community by living the values of care and gratitude, and serving the community through various charitable activities.

Staffing

The Bank maintained an adequate staff complement throughout 2021 to meet its objectives. The staff complement as of 31 December 2021 stood at 307 employees, 10 less than the approved positions of 344 The decline was attributed to vacancies resulting from retirements, promotions, and resignations during the year under review (Table A.14). Despite the vacancies, the operations of the Bank were not impacted as it managed to retain 100 percent of its critical skills.

TABLE A.13 NUMBER OF STAFF AT 31 DECEMBER (2016–2021)

STAFF CATEGORY	2016	2017	2018	2019	2020	2021
General staff	265	253	263	254	260	271
Management	22	21	21	22	22	23
Senior management	11	11	12	12	12	11
Executive management	2	2	2	2	2	2
Total employed	300	287	298	290	296	307

Note: The staff numbers exclude Financial Intelligence Centre staff, as it has been an independent reporting entity since 2015.

Employment Equity

The Bank continued to comply with the requirements of the Affirmative Action (Employment) Act (No. 29 of 1998). In this regard, the Bank ensured that all its policies and practices were aligned with affirmative action requirements and guidelines. The Bank consistently implemented the current three-year Employment Equity Plan (2019–2021). During 2021, the Bank met and in some instances exceeded its employment equity targets.

TABLE A.14 EMPLOYMENT EQUITY DATA (2016–2021)

WORKFORCE	2016	2017	2018	2019	2020	2021
Male	136	127	133	129	134	153
Female	164	160	161	161	162	182
Racially disadvantaged	288	276	289	286	293	330
Racially advantaged	6	5	4	4	3	5
Persons with disabilities	6	6	4	4	3	4
Non-Namibians	0	1	1	1	1	1

Note: The staff numbers include Financial Intelligence Centre staff, as it has been included in the Affirmative Action Report of the Bank since.

Capacity Development

To enable employees to accomplish the Bank's mandate as articulated in its Strategic Plan, the Bank continued to invest in capacity-building initiatives by sharing various learning platforms with other institutions. These included MEFMI, AFRITAC South, the Bank of England, the SADC Banking Association, the IMF, the World Bank, Bundesbank, the Payment Association of South Africa and the South African Reserve Bank. During 2021, 151 employees were provided with technical and soft skills training in various aspects of central banking and related fields. In addition, the Bank supported 30 staff members financially with study loans and bursaries for part-time undergraduate studies, in areas relevant to its operations. Six employees were awarded bursaries for part-time undergraduate studies, while two employees were offered post-graduate scholarships to study in the United Kingdom and South Africa.

The Bank continued to support the country's effort in building human capacity through the Graduate Accelerated Training Programme, with the aim of grooming and developing future skills for key areas in central banking and the Namibian market. The programme provides graduate trainees with 18 months of on-the-job exposure. For 2021, the Bank trained six candidates in the fields of economics, financial management, law, and information technology. Candidates were rotated to various departments in the Bank to learn valuable skills in their fields. The 18-month programme since inception been a success and a strong contributor to the Bank's talent pool, providing fully rounded candidates that require minimum supervision. Candidates who are not absorbed by the Bank quickly secure employment in the market due to the highly competitive skills they learn on the programme.

Business Process Management

During the period under review, the Bank enhanced the Business Process Management practice in the Bank. A Business Process Architecture was developed to ensure that all processes are aligned with the strategic intent of the Bank, and workshops were conducted to ensure a common understanding of Business Process Management. Consistent approach towards business process decomposition from the highest to the lowest level, was adopted. The ultimate aim is to improve cross-functional collaboration, and improved value creation for customers and stakeholders. The process is ongoing. Overall, the Business Process Management will set the foundation for future process enhancements and innovations in furtherance of the efficient and effective execution of the Bank's mandate. The Bank believes business processes that are properly designed and managed are an enabler of change and agility. This undertaking will therefore:

- provide an understanding of how the Bank is creating and delivering value to its customers and stakeholders as everyone will visualise the process in the same way;

- improve collaboration and build a better understanding of inter-dependencies across functional working groups; and
- provide a current state upon which to base future improvements.

Employee Wellness

To ensure the physical and mental wellbeing of the staff, an appropriate Wellness Programme remains a key component within the Bank. During the period under review, the Wellness Programme initiatives were mainly geared towards responding effectively to the COVID-19 pandemic by raising awareness and providing support and counselling to staff. A total of 79 employees reported to have contracted the corona virus. To this end, the Bank ensured that all those affected were provided with the neccessary supplies; such as oxygen concentrators, oxymeters, immune boosters, masks, sanitisers and health care package. Other initiatives included personal financial management, retirement planning and healthy lifestyle sessions.

FINANCIAL MANAGEMENT

The Bank manages its financial affairs in a prudent manner and continues to publish unqualified financial statements which comply with all appropriate regulations and prescribed standards. The Bank maintains adequate controls to mitigate all potential transaction processing risks. There are defined limits within the accounting system to ensure adherence to the approved budget. On a quarterly basis, variance analysis reports for both income and expenditure are presented to the Management Committee.

Facilities Management

The availability and functionality of the facilities is important in enabling the Bank to achieve its Strategic Objectives. The facilities management function includes infrastructure improvement, general repairs, and maintenance. This function has ensured that the facilities of the institution remain fully functional while the buildings are kept safe and comfortable for the general staff. The storage facilities at the Training Centre were renovated and the Data Recovery Centre's garden was given a makeover. While most staff members were working from home due to the COVID-19 pandemic, the facilities maintenance team switched off part of the HVAC (heat, ventilation, and air conditioning) system in the unoccupied areas of the building, and this resulted in savings on the municipal electricity bill.

Procurement Function

As a public institution, the Bank strives for transparent and efficient procurement practices. In the year 2021 the Bank ran 19 tenders totalling a value of approximately N$48 million. The Tender Committee ensured that tenders are fair, transparent, competitive, and cost-effective.

STRATEGY, PROJECTS AND TRANSFORMATION

A new division was established in May 2021 under the Governor's office. This division is responsible for facilitating and coordinating the Bank's strategy formulation and planning process. In addition, it is also responsible for project management and maximising the impact of initiatives as well as driving digital transformation across the Bank.

Strategy, Formulation and Implementation

As the Bank's 2017–2021 Strategic Plan came to an end, the Strategy, Projects and Transformation team facilitated the crafting of a new three-year 2022–2024 Strategic Plan. The new Mission and Vision for the 2022–2024 planning horizon were developed and the values of the organisation were also updated.

The formulation of the 2022–2024 Strategic Plan was conducted through a consultative, participatory, and inclusive planning process, with the purpose of delivering the services specified in our mandate. The new Strategic Plan was launched on 1 December 2021.

Project Management

A project management function, defining project management governance processes and procedures has been established under the division. A Project Management Policy and a Procedure document have been approved and implemented through a successful pilot process. The project management office has now been operationalised and will continue to coordinate the conceptualisation and implementation of bank-wide strategic projects, to facilitate ongoing project reporting, monitoring and evaluation, and to ensure conformity with project management governance and procedures.

Transformation

The Transformation function established the relevant business process management governance principles which culminated in the Business Process Management Framework. The Framework outlines processes and principles to be applied to optimise and automate business processes across the Bank. All business processes have largely been documented, with several departments having commenced with the redesign, optimisation and automation of key business processes. The function will continue to cultivate a culture of continuous process improvement and digitisation. The Digital Transformation and Innovation Committee was established to assist the Bank in driving and facilitating the identification and investigation of digital innovations and disruptive technologies and their possible impact on the Bank's mandate, role, and operations. The Innovation Hub has also been established under the same committee. The function has coordinated key research into the desirability of a central bank digital currency for Namibia and an investigation of how financial inclusion can be improved, with a particular focus on the informal sector and rural Namibia.

INFORMATION TECHNOLOGY

Strategy and Governance

The Bank concluded its five-year IT Masterplan during the year under review. The Bank managed to address most of its technology objectives outlined in the plan. Technologies are now better aligned to business objectives, security measures have improved considerably, and the Banks' IT Infrastructure remains resilient and able to meet business objectives for the foreseeable future due to robust capacity planning. Additional resources were added to the Bank's IT function to meet the growing concerns raised by global cyber threats in the financial sector. Furthermore, IT governance controls were strengthened, and the reporting of technology risks and on investment to various platforms was improved. The Bank began reviewing its structure, roles and initial IT strategy in preparation for supporting a digital and agile enterprise in the future.

IT Security

Cyber security continued to be the top risk for the Bank. The Bank had approved a new IT Security Policy and adopted a three-year security plan ending in 2022. The Bank leans on internationally recognised cyber security frameworks, which aid the establishment and monitoring of security controls, thus reducing security risks. These frameworks include COBIT (Control Objectives for Information Technologies) 2019, the National Institute of Standards and Technology

(Cyber Security) Framework, and the Federal Financial Institutions Examination Council.

A new security unit was provisioned within the Bank during the year under review. The Bank focused on establishing the Security Operations Centre (SOC) during 2021, which enabled the continuous monitoring and improvement of the Bank's security posture while detecting, analysing, and responding to cyber security incidents. The SOC takes on a proactive role in mitigating cyber threats. Business continuity is of paramount importance, and consequently a cyber security incident response programme was developed and tested.

The Bank improved collaboration and information sharing of cyber threats and attacks. Coordination efforts took place with stakeholders at industry and national levels. Within the SADC region, efforts were underway in 2021 to establish a computer emergency response team.

IT Business System Investments

The Bank made good investments in business system technologies to lay some foundations for digital transformation. Efforts were made by the Bank in researching robotic processes automation technology, resulting in a better understanding of the technology, which was tested in some departments. The Bank also completed a large upgrade of its core Enterprise Resource Planning solution (SAP ECC6) to a modern and current platform (S/4 HANA). This upgrade will position the Bank to achieve greater efficiencies and effectiveness in many organisational processes. Further advancements were also made in the delivery of the Bank's EFT system and its role in NAMPAY.

Technology Infrastructure

Most of the Bank's IT systems remained available during the year under review, with only minor downtime experienced. The average system availability achieved in 2021 was 99.95%, surpassing the strategic target of 99.9 percent. The recorded average downtime of 0.05 percent did not impact business operations or stakeholders; however, the Bank continues to improve its controls in order to avoid downtime.

The Bank undertook two projects to ensure the responsiveness and resilience of the IT infrastructure. Following the completion of a network upgrade project, the Bank realised improved network speed and reliability with fewer opportunities for network failure. Another investment made was to the Bank's Storage Area Network. This investment brought about improved storage capacity to accommodate the new digital systems and data analytics infrastructure, and will enable several automation initiatives planned for the next few years.

KNOWLEDGE AND INFORMATION MANAGEMENT

Records management is a critical component of an embracing information governance strategy. Ensuring the authenticity and availability of records over time directly impacts an organisations' ability to achieve

Some Records Management Champions of the Bank attending the week-long capacity-building initiative its mission and objectives. It further assists in ensuring compliance with regulatory and industry standards.

The Bank continued to embed an effective records management practice through regular appraisal and the enforcement of policies. Additionally, capacity building formed an integral component of the Records Management Improvement Programme implemented since 2019. The Records Management Champions Committee continued to promote a culture of learning and sharing of knowledge between records functionaries. Refresher training on records and information governance took place from 29 November to 3 December 2021, strengthening this initiative.

BOX ARTICLE 2:

BEYOND COVID-19 – DIGITAL TRANSFORMATION FOR SUSTAINABLE ECONOMIC DEVELOPMENT

1. INTRODUCTION AND BACKGROUND

The Bank of Namibia held its 22nd annual symposium at the Safari Hotel and Conference Centre on 4 November 2021 under the theme: *"Namibia beyond COVID-19: Digital Transformation for sustainable economic development".* The symposium theme focused on digital transformation, and how Namibia can leverage it to achieve economic development. Significant advancements in communications technology and wide availability of internet resulted in what is dubbed the digital age, marked by large volumes of a variety of data created at ever increasing speeds. This is creating digital imperatives for transformation, while simultaneously impacting an organisation's supply, demand, and operations. In this new age of technological revolution, digital transformation is the new way of doing business by leveraging digital technologies such as cloud computing, big data, mobile computing, social computing and analytics, resulting in significant improvements in operational efficiencies and customer experiences.

Digital transformation offers new tools and opportunities to tackle developmental challenges. It has brought about disruptions that trigger innovations in businesses and consumption patterns, transforming production systems and value chains. Furthermore, it results in the reorganisation of economic sectors, generating smart goods and services and introducing new conditions of competitiveness. Equally, digital tools can also support access to better services, including education and health. Namibia, therefore, needs to ensure that it takes advantage of digital transformation and is not left behind.

Digital technology can drive innovation, economic growth, and job creation in many key sectors of the economy and allows for greater interconnection of African markets with one another and with the rest of the world. It can enhance both market and financial access and inclusion, particularly in marginalised areas neglected by the traditional financial system. Promoting digitalisation in Africa, and particularly in Namibia, will maximise our impact in sectors such as health, energy, transport, agriculture and education, and facilitate access to basic social services, consistent with our broader good governance and development policies and programmes.

Digital applications are already driving socioeconomic transformation, increasing the efficient production and distribution of goods and services, opening up new opportunities for income generation for thousands of poor people, and enhancing connectivity between people, societies, governments and organisations. In the financial sector, we are already seeing the benefit of accelerated digitisation and technology. Through e-wallet, blue wallet, easy wallet and send-money wallet applications, it is now more convenient and cheaper to transmit money to rural and remote residents. We must leverage these gains and facilitate financial inclusion and banking of the unbanked.

It is against this backdrop that the symposium was organised under this theme, in the hope of advancing the country and becoming a digital economy that facilitates sustained economic growth. More specifically, the deliberations were guided by the following key questions:

- **i.** What can the country improve on to leverage digital transformation?
- **ii.** Can we promote infrastructure sharing and penetrate the rural regions fully?
- **iii.** How do we develop the skills needed in the country?
- **iv.** How do we, as regulators, create a conducive environment that fosters innovation in digitalisation?

These issues, among others, were addressed through presentations given by local and international speakers. There was also a panel discussion, with representation from the University of Johannesburg, the Communications Regulatory Authority of Namibia, Mobile Telecommunications Company (MTC), NUST, and the Bank of Namibia.

A key conclusion that emanated from the 22nd Annual symposium was that although the country has made some strides in digital transformation, a lot still needs to be done for digital transformation to benefit the country. Key drivers of growth were identified as: enhancing intergovernmental coordination and cooperation; increasing scientific and technological human and institutional capacity; aligning regulatory reforms to digital transformation; and promoting infrastructure and data sharing.

2. KEY POLICY ISSUES EMANATING FROM THE SYMPOSIUM

The papers and discussions at the symposium raised several options for Namibia to become a digital economy and advance in the digital sphere. The following is a summary of the key policy issues that emerged from the symposium:

i) Enhance intergovernmental coordination and cooperation

Digital transformation of the public sector will largely depend on the focus of governance and intergovernmental coordination and cooperation. Namibia can build on its success and address critical gaps. This will guide the use of Information Communication and Technology (ICT) in building an efficient and user-oriented whole-of-government ecosystem for public service production and delivery. Therefore, a strong governance model with clear roles and responsibilities of all institutions complemented by formal cross-sectoral bodies for decision-making and ensuring inter-governmental coordination and cooperation is essential for successful digital transformation.

Government departments need to have e-Services with adequately integrated data systems such as the X-Road innovation in Romania. The X-Road presents itself as an interoperability innovation platform for data exchange within the different government departments. The use of the X-Road enables proper execution of queries where decisions depend on drawing and analysing information from multiple sources stored in different databases and information portals of public organisations (Weerakkody, Baire & Choudrie, 2006).

ii) Increase scientific and technological human and institutional capacity

There is a need to invest in education, training and retraining to ensure the presence of necessary skills for a digital economy. Namibia will not realise the full benefits of digital transformation unless it ensures that learners going through the school system are equipped with foundational numeracy and literacy skills and integrates digital technology in the lower levels of primary and secondary education. Although local universities are providing qualifications in areas of digital technology so that graduates are equipped for the labour market and its needs, there is a need for this to start from lower levels. This means that emphasis should be placed on computer literacy from primary school level so that learners fully embrace technology as digital natives. There is also a need for overall digital literacy in Namibia. The country should therefore increase scientific and technological human and institutional capacity. The private sector can also invest by making bursaries and scholarships available for computer literacy skills while partnering with institutions of higher learning to drive the research and development agenda.

iii) Align regulatory reforms to digital transformation

Expedite regulatory reforms necessary to fast-track digital transformation. There is a need for laws to be amended and policies to be put in place to ensure digital transformation in the country. It is thus important that the relevant policymakers ensure that these laws be promulgated in the short-to-medium term and that the required policies be drafted and adopted accordingly.

iv) Promote infrastructure and data sharing to avoid the multiplicity of initiatives and redundancies in the deployment of infrastructure

There is a need for collaboration within the different organisations for data and infrastructure sharing that will drive business growth. Data sharing, data exchanges, and data ecosystems are essential for advancement in digital transformation. It is therefore fundamental that there is collaboration regarding data-sharing among the different institutions. The Communications Act (No. 8 of 2009), as amended in 2020, allows for infrastructure sharing in a non-discriminatory way and for bilateral negotiations between the institutions. This means that more focused infrastructure sharing will enhance access and enable operators to focus on the competition in the service layer, regardless of the extent of the sharing. Operators can share whole or strategically unimportant parts of their infrastructure and in so doing share infrastructure costs while providing acceptable performance. Furthermore, these savings can facilitate mobile operators' migration to next-generation technologies and provide their customers with the latest available technology.

v) Strengthen infrastructure in ICT and electricity in rural areas to ensure that digitalisation is countrywide

It is essential that Namibia continually invests in the development of digital infrastructures to meet existing and future demand and help bridge digital divides. Digital infrastructures provide the foundation for many new services, applications and business models. They are also crucial in underpinning and enabling the digital innovations that are transforming production, including in the context of the Fourth Industrial Revolution, now and in the future. An important area for policy action involves establishing national broadband plans with well-defined targets and regularly reviewing them. These plans should ideally assess and address the key barriers to the deployment of highspeed networks and services, including the nature of the infrastructure market itself, geography, administrative barriers, regulatory uncertainty, high capital expenditure, access to spectrum, and in some countries, a lack of basic infrastructure (e.g. electricity), particularly in rural areas.

vi) Introduce technologies and innovations into business processes

Funding structure of e-Government: The **government alone may not have adequate resources to fund and manage the different facets of e-Government.** It is therefore important that considerable efforts be made in the Namibian context to practically explore public-private partnerships and cloud-funding models with actors drawn from both internal and external environments. It is a given that efforts encouraging any form of integration between public and private enterprises will ultimately draw attention from private sector partners.

vii) Connect government departments and the citizens through ICT infrastructure

Namibia needs to ensure that there is appropriate underlying ICT infrastructure that can connect government departments and the citizens. Reference to the already conducted e-Readiness assessment can help understand the state of ICT infrastructure in place to support desired e-Services. Based on e-Government developments elsewhere, the Namibian e-Government development trajectory needs to consider aspects of e-Government functionalities as achieved elsewhere.

3. POLICY RECOMMENDATIONS

Align education and research to the digital agenda

- There should be incentives for researchers to conduct innovative research in the country.
- Namibia's education curriculum needs to be reviewed and aligned to the needs of a digitally transformed society.
- Support the higher education institutions to ensure that the rate of evolution in the sector is aligned with the needs of the market to avoid skills mismatch.
- We need to create enthusiasm, especially in young people, in the space of digital

transformation for future readiness. Combine technology, talent, and innovation.

Regional and developmental policy recommendations

- Incorporate the sustainable development goals when determining the digital transformation trajectory and agenda of the country. Start small and grow from there while also sharing and collaborating with other economic players. As such, what is needed is a blended approach by way of going digital and keeping the traditional way of doing things in place. This is a journey and not an overnight goal.
- Openness is critically important when it comes to globalisation, external trade, ideas, and integration.
- We need to involve the young people in decision-making and discussions around the digital agenda of the country by properly assessing the needs of the younger generation.
- Namibia should leverage the undersea cables for regional markets that are landlocked.

Other cross-cutting policy recommendations

- There is a need for corporate social responsibility in preparing current and future workers in digital transformation. Corporate social responsibility can take the form of bursary opportunities and effective internship opportunities.
- There needs to be a policy mind-shift in terms of how we view ICT – is it a service provider or economic enabler?
- Security within the digital space: data security, cybersecurity and consumer protection need to be considered as the digital transformation agenda takes shape.
- Abrupt introduction of technology is not advised: It is better to introduce people gradually and progressively to new technology while simultaneously re-skilling human resources.

FIVE YEAR HISTORICAL FINANCIAL OVERVIEW

TABLE A. 15: BALANCE SHEET COMPARISONS, 2021-2017 - N$'000

	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17
ASSETS					
Investments	39,871,827	31,654,662	28,905,678	30,951,757	30,067,296
Loans and advances-Local banks	1,456	1,040,782	1,746,376	1,839,118	721,737
Currency inventory	90,100	84,895	98,646	43,870	66,958
Rand Deposits	70,014	45,337	89,727	68,526	79,631
Loans and advances - Other	112,518	99,582	151,130	123,888	54,654
Other receivables	12,386,771	5,288,750	4,265,239	3,893,707	5,221,697
Investment in Associate	-	-	-	-	-
Other inventory – stationery and spares	4,742	4,881	4,584	4,337	4,396
Property and equipment	278,240	284,287	288,584	299,150	313,802
Intangible assets – computer software	40,562	21,483	10,177	3,697	5,092
TOTAL ASSETS	**52,856,230**	**38,524,659**	**35,560,141**	**37,228,050**	**36,535,263**
EQUITY AND LIABILITIES					
Liabilities					
Deposits	37,534,161	24,147,300	21,822,910	23,946,257	24,867,334
Trade and other payables	99,077	110,901	128,189	178,249	36,402
Notes and coins in circulation	4,759,436	4,711,567	4,518,207	4,521,178	4,658,471
Provision for post-employment benefits	69,098	64,957	60,569	68,195	62,134
TOTAL LIABILITIES	**42,461,772**	**29,034,725**	**26,529,875**	**28,713,879**	**29,624,341**
Capital and Reserves					
Share capital	40,000	40,000	40,000	40,000	40,000
General reserve	2,741,385	2,463,986	2,160,111	1,800,506	1,473,023
Foreign Currency revaluation reserve	7,002,208	6,200,558	6,112,300	6,271,690	5,020,131
Training Fund Reserve	16,179	16,179	13,479	12,764	14,024
State revenue fund	413,700	278,198	399,941	294,237	213,140
Development fund reserve	95,986	114,402	166,702	97,402	49,970
Building fund reserve	85,000	85,000	85,000	65,000	45,000
Investment revaluation reserve	-	291,611	52,733	(67,428)	55,634
Total Capital and Reserves	**10,394,458**	**9,489,934**	**9,030,266**	**8,514,171**	**6,910,922**
TOTAL LIABILITIES, CAPITAL, AND RESERVES	**52,856,230**	**38,524,659**	**35,560,141**	**37,228,050**	**36,535,263**

TABLE A.16: INCOME STATEMENT COMPARISONS, 2021–2017 – N$'000

	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17
Interest income	547,330	638,676	850,862	828,371	739,892
Interest expense	(79,063)	(105,011)	(208,193)	(283,372)	(262,995)
Net interest income	**468,267**	**533,665**	**642,669**	**544,999**	**476,897**
Rand compensation income	505,628	499,787	407,594	401,963	326,107
Other income	43,237	18,294	37,849	53,116	31,809
Total income	**1,017,132**	**1,051,746**	**1,088,112**	**1,000,078**	**834,813**
Operating expenses	(432,933)	(514,928)	(359,023)	(449,414)	(358,802)
Net profit/(loss) on investment portfolio	151,656	(4,345)	106,174	19,688	(13,418)
Profit for the year before net foreign exchange translation gain/(loss)	**735,855**	**532,473**	**835,263**	**570,352**	**462,593**
Net foreign exchange translation gain/(loss)* - Amortised cost	801,650	88,258	(159,390)	1,251,559	(831,486)
Profit/(Loss) for the year	**1,537,505**	**620,731**	**675,873**	**1,821,911**	**(368,893)**
Other comprehensive income	**(392,450)**	**238,878**	**134,459**	**(55,123)**	**-**
Unrealised Gains/(Losses) on investment portfolio	(366,157)	238,878	115,836	(56,766)	-
Allowance for credit losses - FVTOCI	(20,009)	-	4,325	1,643	-
Actuarial gain on post-employment benefits	(6,284)	-	14,298	-	-
Total comprehensive income	**1,145,055**	**859,609**	**810,332**	**1,823,554**	**-368,893**
Revaluation reserve	(801,650)	(88,258)	159,390	(1,251,559)	831,486
Investment revaluation reserve	366,157	(238,878)	(115,836)	56,766	(23,278)
Allowance for credit losses	(20,009)	-	(4,325)	(1,643)	-
Distribution adjustment -Unrealised losses	(36,879)	-	-	-	-
Net income available for distribution	**672,683**	**532,473**	**849,561**	**627,118**	**439,315**
Appropriations:	**672,683**	**532,473**	**849,561**	**627,118**	**439,315**
General Reserve	258,983	251,575	357,463	262,881	191,175
Building Reserve	-	-	20,000	20,000	25,000
Training Fund Reserve	-	2,700	2,157	-	-
Development Fund reserve	-	-	70,000	50,000	10,000
State Revenue Fund	413,700	278,198	399,941	294,237	213,140

Part C:
Economic and Financial Developments

SELECTED FINANCIAL AND ECONOMIC INDICATORS

	2017	2018	2019	2020	2021
	Actual				Estimates[8]
(Annual percentage change)					
Real GDP growth	-1.0	1.1	-0.9	-7.9	2.4
GDP deflator	9.9	4.4	1.0	4.1	1.5
Consumer price inflation (period average)	6.2	4.3	3.7	2.2	3.6
Consumer price inflation (end-of-period)	5.2	5.1	2.6	2.4	4.5
Exports of goods	6.5	11.5	0.9	-7.8	1.4
Imports of goods	-9.9	2.8	-1.5	-9.9	19.9
Real effective exchange rate[9] (period average)	6.0	0.04	-1.6	-5.2	2.7
Private sector credit extension (period average)	6.6	6.3	6.8	3.5	2.4
Broad money supply (period average)	9.2	9.1	8.5	11.3	2.6
Repo rate (end-of-period)	6.75	6.75	6.50	3.75	3.75
10-year Government bond yield (period average, percent)	10.58	10.57	9.98	9.93	10.31
In percent of GDP, unless otherwise stated					
Investment	17.8	14.9	15.1	13.2	15.9
Public	5.4	4.7	3.7	3.0	2.7
Private	12.4	10.2	11.4	10.2	13.2
Saving	17.8	14.9	15.1	13.2	15.9
External	4.4	3.4	1.8	-3.3	8.8
Domestic	13.3	11.5	13.2	16.4	7.2
Public	-2.9	-2.3	-3.9	-6.9	-8.5
Private	16.2	13.8	17.2	23.3	15.6
Public Finance					
Overall Government deficit[10]	-5.2	-5.1	-5.0	-8.0	-8.7
Public debt outstanding	41.8	47.8	51.9	60.8	67.0
Public guaranteed debt outstanding	5.9	6.1	6.3	6.2	5.7
External Sector					
Current account balance	-4.4	-3.4	-1.7	2.8	-9.1
Excluding official transfers	-15.6	-13.7	-12.2	-10.0	-18.7
Gross official reserves					
In millions of Namibia Dollar	30 177	31 024	28 941	31 745	43 871
In millions of US Dollar	2 435	2 150	2 049	2 103	2 964
In months of imports	4.4	4.5	4.1	5.1	6.4
External debt[11]	59.9	66.9	64.3	68.9	71.5
Exchange rate to US Dollar (end-of-period)	12.3930	14.4309	14.1235	14.6218	15.9067
Exchange rate to US Dollar (period average)	13.3129	13.2339	14.4484	16.4633	14.7787
GDP at current market prices (N$ million)	171 570	181 067	181 229	173 896	180 836

8 The estimates contained in this table and in the Real Sector Developments section should be viewed as preliminary and are subject to revision as actual data become available.

9 A decrease in the Real Effective Exchange Rate index means that the national currency depreciated, reflecting a gain in the competitiveness of the Namibian products on the international market. An increase in the index, on the other hand, represents an effective appreciation of the national currency, indicating a loss in competitiveness of the local products on the international market.

10 These are fiscal year data, 2021 refers to 2021/22, ending 31 March 2022.

11 Includes government, parastatal and private sector debt.

SUMMARY OF ECONOMIC AND FINANCIAL DEVELOPMENTS

Global gross domestic product (GDP) growth recovered in 2021 compared to 2020, due to base effects as well as the continuation of both expansionary monetary and fiscal policies. The recovery in economic growth occurred despite a resurging pandemic that posed policy challenges among advanced economies (AEs) and emerging market and developing economies (EMDEs). The global GDP growth rate is estimated to have increased to 5.9 percent in 2021 from a contraction of 3.1 percent in 2020. Economic growth was supported by ongoing policy support in many countries globally. AEs deployed sizable fiscal support measures in 2020, which were largely maintained in 2021. On the other hand, many EMDEs, notably China, reduced policy support. Going forward, the global economy is projected to moderate in 2022. The AEs' growth rate for 2022 is forecast to exceed pre-pandemic levels. In contrast, EMDEs are expected to moderate due to slower vaccine rollouts and less policy support than in AEs. Major downside risks to the outlook are the slower-than-anticipated vaccine rollout and the possible tightening of financial conditions, as well as geopolitical tensions. In addition, the possible surge in the Delta and Omicron variants may persist for longer, and that may require booster doses, better testing and therapeutics, and more financing.

The majority of the monitored central banks maintained accommodative monetary policy stances in 2021, while a few central banks hiked rates in response to rising inflation. Most of the monitored central banks kept their policy interest rates unchanged, except for Brazil, Russia, South Africa and United Kingdom that increased their benchmark rates during the year. On the contrary, China was the only monitored central bank that reduced its policy rate to support growth in the slowing economy. Monitored AE central banks continued to implement non-conventional stimulatory monetary measures such as the purchasing of government bonds and agency mortgage-backed securities. Inflation rates increased in both the AEs and EMDEs, mainly reflecting rising commodity prices and input shortages. The rising inflation has in some instances prompted tapering action or the expression of intent to start tapering by the US Federal Reserve.

The stocks and commodity markets ended 2021 on a positive note. The stock market was boosted by positive earnings, economic recovery, slowing COVID-19 cases, vaccination rollouts and low bond yields. Similarly, the prices of commodities recorded gains in 2021, underpinned by supply constraints and recovery in global demand in tandem with sizeable fiscal and monetary policy support and vaccine-led reopening plans.

Namibia's economy recovered in 2021, mainly due to the growth in the primary and tertiary industries. Real GDP rose by 2.4 percent in 2021, following a historically deep contraction of 7.9 percent in 2020. The recovery in 2021 was on account of growth registered in the primary and tertiary industries. This was attributed to a recovery in the production of diamonds and uranium, coupled with positive real value addition in the *wholesale and retail trade, hotels and restaurants, information and communication*, and public administration and defence sectors. The recovery in those sectors in turn can mainly be ascribed to base effects following the severe restrictive measures imposed in 2020 to help prevent the further spread of the COVID-19 virus. However, secondary industry registered a contraction in 2021, which can be ascribed to the decline in the construction sector, as well as the *electricity and water* sector.

Namibia's inflation rate rose during 2021 compared to 2020, largely driven by an increase in inflation for transport, housing and food. Overall inflation averaged 3.6 percent during 2021, higher than the rate of 2.2 percent recorded in 2020. The rise in inflation was largely driven by an increase in the inflation for transport, housing and food during the period under review. This was on account of a rise in international oil prices as well as a return to positive inflation for the rental payments for dwelling subcategory, coupled with supply constraints, particularly for meat.

During 2021, the Bank's Monetary Policy Committee (MPC) kept the Repo rate unchanged at 3.75 percent. The decision to keep the Repo rate unchanged was deemed appropriate to support domestic economic growth, while maintaining the one-to-one peg between the Namibia Dollar and the South African Rand. Growth in broad money supply (M2) slowed in 2021 in comparison with 2020, which was underpinned by a sharp rise in net other liabilities. Similarly, the annual growth in narrow money (M1) slowed, and generally resembled that of M2. Growth in private sector credit extension (PSCE) slowed on average during 2021, due to lower demand for credit by households.

In 2021, the overall liquidity position of the Namibian banking industry declined in contrast to the preceding year. The banking industry average liquidity position was N$1.7 billion in 2021, lower than the average of N$2.1 billion recorded during 2020. The low level of liquidity is mostly attributed to sluggish budget execution, higher domestic borrowing activity and increase in outflows to South Africa. Additionally, the lower economic activity level brought about by the COVID-19 pandemic led banking institutions to reduce their cash holdings that is usually intended for credit extension.

Central Government's budget deficit reached its widest level since independence during FY2021/22, but over the MTEF period it is estimated that it will narrow notably. The Central Government budget deficit for 2021/22 is estimated to have widened to 8.7 percent of GDP, compared to the 8.0 percent of GDP registered during the previous fiscal year. The widening of the deficit was mainly due to lower SACU receipts in the wake of the COVID-19 pandemic, coupled with a fall in company taxes. In 2022/23 SACU receipts are still expected to be weak and the deficit is therefore only expected to decline slightly. A smaller deficit is projected from 2023/24 onward, culminating in a shortfall of only 5.2 percent of GDP in FY2024/25 as SACU receipts and tax revenue normalise while the Government maintains a lid on expenditure levels.

Namibia's current account turned into a deficit during 2021, primarily due to a deterioration of the merchandise trade deficit as well as a decrease in secondary income inflows. The current account recorded a deficit of N$16.5 billion during 2021, compared to a surplus of N$4.9 billion recorded in 2020. This emanated from a worsening merchandise trade deficit that reflected a significant rise in import payments, while export receipts grew at a slower pace. In addition, the surplus in the secondary income account fell, mainly ascribed to lower SACU receipts during 2021. As a result, the current account deficit as a percentage of GDP worsened to 9.1 percent during 2021, from a surplus of 2.8 percent of GDP during the previous year. The stock of international reserves rose during 2021 supported by inflows from the IMF's Special Drawing Rights (SDR) allocation, the IMF Rapid Financing Instrument (RFI) and an African Development Bank (AfDB) loan. In terms of competitiveness, the Real Effective Exchange Rate (REER) rose on an annual basis, signalling a decline in the competitiveness of Namibia's export products in foreign markets.

Going forward, domestic growth is expected to improve further during 2022 mainly on account of better prospects for diamond mining and key sectors in the secondary and tertiary industries. The domestic economy's growth rate is expected to further improve to 3.4 percent in 2022 from 2.4 percent in 2021. The expected growth in the mining sector is partly due to an anticipated increase in diamond production, as a new mining vessel is expected to commence production during the second quarter of 2022. In the secondary industry the growth is mainly supported by projected increased output in the manufacturing as well as electricity and water sectors. In the tertiary industry, growth is expected to be supported by the wholesale and retail trade, tourism, transport and storage, and information and communication sectors. However, downside risk to this outlook may arise due to the emergence of new variants of COVID-19, as well as low prices for some of Namibia's export commodities and climatic swings. Namibia is particularly prone to flooding in some parts of the country.

GLOBAL ECONOMIC AND FINANCIAL DEVELOPMENTS

TABLE C.1 WORLD ECONOMIC OUTPUT (ANNUAL PERCENTAGE CHANGE)

Percent and percentage points	Real GDP Growth (IMF)		Jan-22 Projections		Difference from Oct-21 World Economic Outlook projections	
	2020	2021 (E)	2022	2023	2022	2023
World	**-3.1**	**5.9**	**4.4**	**3.8**	**-0.5**	**0.2**
AEs	**-4.5**	**5.0**	**3.9**	**2.6**	**-0.6**	**0.4**
US	-3.4	5.6	4.0	2.6	-1.2	0.4
Euro Area	-6.4	5.2	3.9	2.5	-0.4	0.5
Germany	-4.6	2.7	3.8	2.5	-0.8	0.9
France	-8.0	6.7	3.5	1.8	-0.4	0.0
Italy	-8.9	6.2	3.8	2.2	-0.4	0.6
Spain	-10.8	4.9	5.8	3.8	-0.6	1.2
Japan	-4.5	1.6	3.3	1.8	0.1	0.4
UK	-9.4	7.2	4.7	2.3	-0.3	0.4
Canada	-5.2	4.7	4.1	2.8	-0.8	0.2
Other AEs	-1.9	4.7	3.6	2.9	-0.1	0.0
EMDEs	**-2.0**	**6.5**	**4.8**	**4.7**	**-0.3**	**0.1**
China	2.3	8.1	4.8	5.2	-0.8	-0.1
Russia	-2.7	4.5	2.8	2.1	-0.1	0.1
India	-7.3	9.0	9.0	7.1	0.5	0.5
Brazil	-3.9	4.7	0.3	1.6	-1.2	-0.4
Sub-Saharan Africa (SSA)	**-1.7**	**4.0**	**3.7**	**4.0**	**-0.1**	**-0.1**
Angola	-5.4	-0.4	3.1	2.8	-0.1	-0.2
SA	-6.4	4.6	1.9	1.4	-0.3	0.0
Nigeria	-1.8	3.0	2.7	2.7	0.0	0.1

Source: IMF World Economic Outlook Update (WEO) January 2022, World Bank GEP 2022

While the global economy faced uncertainty due to the pandemic, this reduced somewhat in 2021, translating into a recovery in the global economy. The global economy is estimated to have recovered by 5.9 percent in 2021 (Table C.1) compared to a contraction of 3.1 percent in 2020. The recovery was on the back of the easing of lockdown measures in many countries which helped boost demand. AEs have rebounded faster, buoyed by high vaccination rates and sizable fiscal support that have helped cushion some of the adverse economic impacts of the pandemic. In contrast, EMDEs' recovery was dampened by waning policy support and a tightening of financial conditions.

GDP growth in AEs recovered in 2021 from a contraction in 2020, on the back of easing lockdown measures. While 2021 was marred by the resurgence of COVID-19 infections and supply bottlenecks, AE output nevertheless staged a strong recovery. In the US, output is estimated to have expanded by 5.6 percent in 2021 (Table C.1). Similarly, the Euro area bounced back by 5.2 percent in 2021. Furthermore, Japan's economic activity picked up by 1.6 percent in 2021 as high vaccination rates allowed for the relaxation of lockdown measures. The UK economy is estimated to have grown by 7.2 percent in 2021, an improvement from a contraction of 9.4 percent registered in 2020.

Real GDP in the EMDEs expanded in 2021 compared to a contraction in the previous year; however, growth was still short of pre-pandemic levels. The EMDE's real output, as a group, increased by 6.5 percent from a negative growth rate of 2.0 percent in 2020 (Table C.1), supported by a rebound in commodity prices. The Chinese economy is estimated to have expanded by 8.1 percent, compared to a growth rate of 2.3 percent in the previous year. This recovery was sustained by strong exports as trading in key export markets recovered following the easing of lockdown measures earlier in the year. Brazil's GDP is estimated to have increased by 4.7 percent, compared to a contraction of 3.9 percent in 2020, chiefly due to a rebound in export growth. Russia's GDP also increased by 4.5 percent from a contraction of 2.7 percent in 2020, on the back of robust merchandise export growth, thanks to a healthy oil sector. GDP in India is estimated to have increased by 9.0 percent compared to a 7.3 percent contraction in 2020, as the economy reopened fully following a strong vaccination rollout, which boosted consumer confidence.

GDP in Sub-Saharan Africa (SSA) also registered solid growth in 2021, despite lagging behind the AEs. The South African economy is estimated to have rebounded by 4.6 percent in 2021 from a contraction of 6.4 percent in 2020 (Table C.1), reflecting a strong rebound in mining, manufacturing, and the services sectors. Similarly, Nigeria's economy is estimated to have expanded by 3.0 percent in 2021 from a contraction of 1.8 percent in the previous year, driven by higher oil prices. Conversely, Angola contracted by 0.4 percent in 2021 – the only monitored economy to do so – dragged down chiefly by falling investment and recurring technical problems such as electrical fires, pipeline leaks and a collapsed drilling rig in the oil sector.

OUTPUT GROWTH AND OUTLOOK BY MAIN REGION AND ECONOMIC BLOCK

The IMF projects that global GDP growth will moderate in 2022 compared to 2021, as the policy stimulus fades. In its January 2022 World Economic Outlook (WEO), the IMF projected that global GDP growth will slow to 4.4 percent in 2022, lower than the 5.9 percent estimated for 2021 (Table C.1), as the initial post-pandemic rebound wanes in AEs with fiscal and monetary policy stances becoming less expansive, in addition to lingering supply bottlenecks. Growth in many EMDEs is expected to improve further, even though it is not expected to reach pre-pandemic levels in 2022.

AEs' GDP growth is projected to moderate in 2022 compared to 2021 but this growth rate was revised downward from the October 2021 WEO. GDP growth is projected to moderate to 3.9 percent from the estimated 5.0 percent in 2021 (Table C.1), dragged down by the Omicron-driven pandemic resurgence, and the withdrawal of fiscal and monetary support. The US GDP is projected to moderate to 4.0 percent in 2022 and 2.6 percent in 2023, mainly due to reduced fiscal and monetary policy support coupled with supply bottlenecks. The US growth for 2022 was revised downwards by 1.2 percent, triggered by the removal of the Build Back Better fiscal policy package from the baseline, earlier withdrawal of monetary accommodation and continued supply shortages. Similarly, the Euro Area is projected to slow to 3.9 percent growth in 2022 from an estimated 5.2 percent in 2021, which is a downward revision of 0.4 percentage point from previous projections. In the same vein, the UK's GDP growth is projected to decelerate to 4.7 percent in 2022, due to disruptions from the Omicron variant, labour shortages and high energy prices. On a positive note, Japan's growth is set to strengthen to 3.3 percent in 2022 compared to 1.6 percent in 2021, which is a upward revision of 0.1 percentage point from the October 2021 projections. The growth will be driven by the delay in the release of pent-up demand following the 2021 pandemic resurgence and additional fiscal stimulus legislated in December 2021.

GDP growth in EMDEs is projected to decelerate in 2022, mainly due to the withdrawal of policy support and moderation in external demand. The IMF projects that EMDE output growth will slow to 4.8 percent in 2022, while the World Bank projects output growth of 4.6 percent, as macroeconomic policy support continues to be withdrawn and the rebound in China eases (Table C.1). Growth in China is projected to decelerate to 4.8 percent in 2022, dampened by the withdrawal of policy support, elevated inflation and tighter monetary policy that could weigh down private consumption, along with the spread of the Omicron variant. Furthermore, growth in Brazil is projected to slow notably to 0.2 percent in 2022, owing to worsening investor confidence, weaker private consumption due to high inflation, and high unemployment. Russia's growth is projected to moderate to 2.8 percent in 2022, as domestic demand wanes, compounded by a gradual return to fiscal rule[12] and a tighter monetary policy stance. However, the recent war in Ukraine is set to invalidate this projection. Furthermore, India's economy is expected to expand by 9.0 percent (same as 2021), on the back of the resumption of contact-intensive services and ongoing but narrowing monetary and fiscal policy support.

Growth in SSA is projected to improve slightly in 2022 from 2021, supported by a notable recovery in trade and in commodity prices. The IMF projects the SSA region to grow by 3.7 percent in 2022 from 4.0 percent in 2021 (Table C.1), reflecting an expected sharp improvement in global trade, commodity prices and favourable harvests that will improve agricultural production. Growth in South Africa is expected to slow to 1.9 percent in 2022 from 4.6 percent in 2021, on the back of structural challenges and the economy's capacity to sustain the strong growth levels achieved in 2021. Nigeria's economy is expected to inch up by 2.7 percent in 2022 from 3.0 percent in 2021, driven by higher oil prices and the gradual easing of the Organization of the Petroleum Exporting Countries (OPEC) production cuts, and domestic regulatory reforms. Angola is expected to recover and grow by 3.1 percent[13] in 2022 from a contraction of 0.4 percent in 2021, driven by the commerce, agriculture and other non-oil sectors. Major risks facing the SSA forecast are the threat of expected rising inflation in the US and the possibility of COVID-19 persisting for longer, which may result in a permanent restructuring of contact-intensive activities worldwide.

RISKS TO THE OUTLOOK

The baseline forecast is skewed to the downside. Threats include, among others, continued outbreaks of COVID-19 and the spread of new variants of the virus, including the highly transmissible Omicron variant, which has contributed to a spike in new cases in many countries. Due to low vaccination rates and delayed delivery in SSA, the pandemic might be prolonged. The inflation pressures in AEs may result in some AE central banks tightening their monetary policy rates, and this could result in capital outflows from EMDEs, exchange rate depreciation, and inflation pressures in EMDEs, as well as elevated debt levels. In addition, geopolitical tensions and violence could impede growth by dampening consumer and business sentiment, as well as by discouraging investment.

INFLATION AND INTEREST RATE DEVELOPMENTS

TABLE C.2 ANNUAL AVERAGE INFLATION RATES FOR SELECTED ECONOMIES (%)

	2017	2018	2019	2020	2021
AEs					
US	2.1	2.5	1.8	1.2	4.7
UK	2.7	2.5	1.8	0.9	2.6
Euro Area	1.5	1.7	1.2	0.3	2.6
Japan	0.5	1.0	0.5	0.0	-0.2
EMDEs					
Brazil	3.5	3.7	3.7	3.2	8.3
Russia	3.7	2.9	4.5	3.4	6.7
India	3.3	4.0	3.7	6.6	5.2
China	1.6	2.1	2.9	2.5	0.9
SA	5.3	4.6	4.1	3.3	4.6

Annual average inflation rates in the monitored AEs increased in 2021 when compared to 2020, fuelled by high metal and energy prices as well as supply bottlenecks. The inflation rate in the US averaged 4.7 percent in 2021, compared to 1.2 percent in 2020 (Table C.2), on the back of rising energy costs as well as high costs of food and housing. Inflation in the UK rose to an average of 2.6 percent from 0.9 percent

12 The fiscal rule for Russia means that Russia cannot spend more than the revenue from its non-oil and gas sectors.

13 Forecast by World Bank Global Economic Prospects (GEP) January 2022

in the previous year, buoyed by a low base effect from 2020, higher costs for recreation and culture, housing, utilities, and restaurants and hotels. Similarly, the Euro Area's inflation rate rose to 2.6 percent from 0.3 percent due to a recovery in domestic demand and a low base in 2020. Conversely, Japan's consumer prices declined by 0.2 percent, led mainly by the low cost of food and transport, amid weakening consumption due to the ongoing COVID-19 pandemic.

Annual inflation rates of the majority of EMDEs also rose in 2021, mainly due to higher food costs and currency depreciations, although in some countries inflation softened. The inflation rate in Brazil increased to an average of 8.3 percent, compared to 3.2 percent in 2020 (Table C.2), on the back of a weaker currency and a severe drought, alongside global supply issues which continue to exert upward pressure on prices. Similarly, Russia's inflation rate rose to an average of 6.7 percent from 3.4 percent, held up by higher prices of food, non-food products and services. The inflation rate in South Africa has been trending upwards as well, and recorded an average of 4.6 percent in 2021, sustained by higher prices of *transport* and *food and beverages*. Conversely, China's inflation rate declined to 0.9 percent in 2021 compared to 2.5 percent in 2020, mainly ascribed to a steeper decline in the cost of food (notably for pork). Equally, India's inflation rate declined to 5.2 percent from 6.6 percent, led by softer increases in the prices of food, housing and transport.

TABLE C.3 POLICY RATES OF SELECTED ECONOMIES

Country or grouping	Policy rate name	Policy rate at end of 2021 (%)	Month of last meeting in 2021	Policy rate change in 2021 (basis points)	Inflation rate at end of 2021 (%)	Real interest rate at end of 2021 (%)
AEs						
USA	Federal funds rate	0.25	Dec	0	7.0	-6.8
UK	Bank rate	0.25	Dec	15	5.4	-5.2
Euro Area	Refinancing rate	0.00	Dec	0	5.0	-5.0
Japan	Call rate	-0.10	Dec	0	0.8	-0.9
EMDEs						
Brazil	SELIC rate	9.25	Dec	725	10.1	-0.9
Russia	Key rate	8.50	Dec	425	8.4	0.1
India	Repo rate	4.00	Dec	0	5.6	-1.6
China	Lending rate	3.80	Dec	-5	1.5	2.3
SA	Repo rate	3.75	Nov	25	5.9	-2.2

Source: Trading Economics and Respective Central Banks

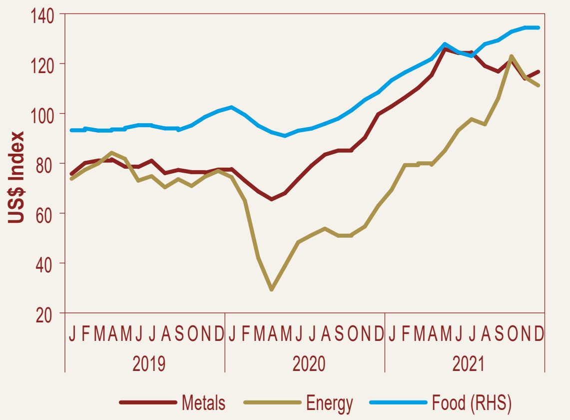
Central banks of the monitored AEs left their monetary policy rates unchanged in 2021, with the exception of the Bank of England that started to raise the Bank rate. The US Federal Open Market Committee (FOMC) maintained the target range for its federal fund rate at 0-0.25 percent in 2021 (Table C.3). The Fed announced at its December 2021 meeting it would end its pandemic-era bond purchases in March 2022. The Fed policy makers indicated that they will be patient on rate hikes but will not hesitate to act if inflation continues to remain elevated. Likewise, the Bank of Japan left its key short-term interest rate unchanged at -0.10 percent and maintained the target for the 10-year Japanese government bond yield at around 0.00 percent. In the same way, the European Central Bank left its key interest rates at a record-low level of 0.10 percent at all its meetings in 2021 and maintained the pandemic emergency purchase programme envelope at €1.85 trillion until at least the end of March 2022. However, the Bank of England raised its benchmark interest rate by 15 basis points to 0.25 percent but left the stock of UK bond purchases, financed by the issuance of central bank reserves, unchanged at £895 billion.

The central banks of Brazil, Russia and South Africa raised their benchmark interest rates in 2021 to mitigate inflationary pressures while China eased marginally. The central bank of Brazil raised its policy rate by 725 basis points to 9.25 percent in 2021 (Table C.3), to prevent inflation from spilling over into 2022 and to manage its convergence to the target rate of 3.0 percent. Similarly, the central bank of Russia increased its key rate by 425 basis points to 8.50 percent. In addition, the South African Reserve Bank increased its Repo rate by 25 basis points to 3.75 percent, due to increased inflation risks. The People's Bank of China however, lowered its one-year loan prime rate by 5 basis points to 3.80 percent, to support growth in the slowing economy amid property debt distress and persistent COVID-19 outbreaks. The Reserve Bank of India held its benchmark Repo rate at 4.0 percent, deemed appropriate to support economic growth and keep inflation within the target range of 4–6 percent.

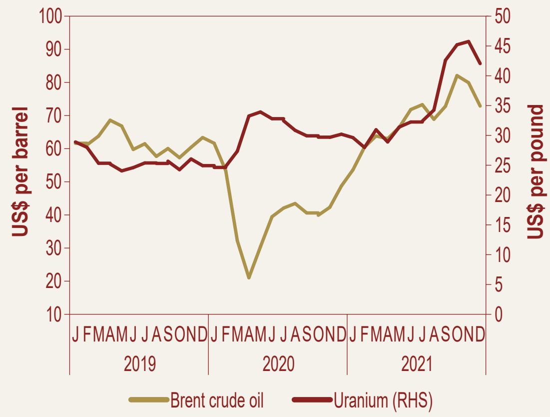
COMMODITY PRICE DEVELOPMENTS AND PROSPECTS

FIGURE C.1 SELECTED COMMODITY PRICES AND PRICE INDICES

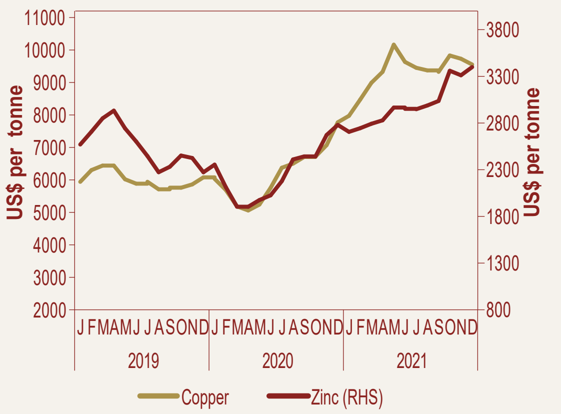
a. Metal, energy and food price indices rose in 2021 coming from a low base and reflecting tight supply conditions and a recovery in global demand.



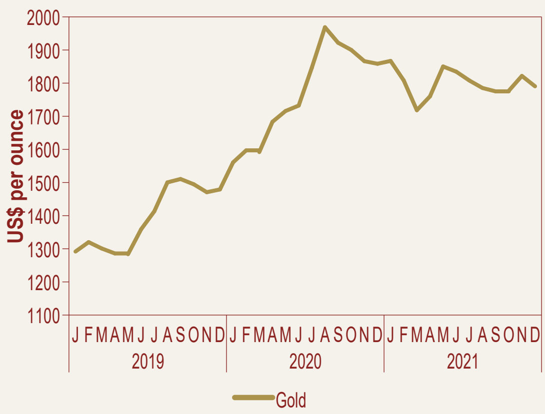
b. The price of uranium and Brent crude oil increased in 2021.



c. The base metal prices rose in 2021, given the recovery in the global economy.



d. The price of gold remained high in 2021, supported by safe-haven demand and low interest rates.



Source: IMF

Food, metal, and energy price indices rose notably in 2021 compared to 2020. The World Bank's metals price index rose by 47.1 percent to average 116.44 index points in 2021 (Figure C.1a) due to supply limitations, electricity shortages, and strong global demand. Similarly, the energy price index increased by 82.1 percent to an average of 94.52 index points, which was mainly noted in the natural gas and coal prices, supported by strong demand for fossil fuels for electricity generation amid adverse weather conditions. In the same vein, the FAO food price index increased by 27.9 percent to average 125.34 points in 2021. The increase was largely driven by higher prices of most cereals and vegetable oils, on the back of supply chains and transportation disruptions.

The price of uranium and Brent crude oil increased in 2021 compared to 2020. The uranium spot price increased by 17.7 percent to an average of US$35.28 per pound (Figure C.1b) on the back of large-scale purchases of the nuclear-energy element by an investment fund, Canada's Sprott Physical Uranium Trust. In addition, the demand for nuclear energy as a clean and efficient power source has increased and pushed the price up. Similarly, the price of Brent crude oil increased by 67.4 percent to an average of US$69.07 per barrel in 2021, chiefly due to the continued global economic recovery and strengthened travel demand. In addition, tight global supply and compliance with output cuts among OPEC+ members boosted the oil price, while the ongoing global energy crunch with high prices of natural gas encouraged power generating companies to switch from gas to oil.

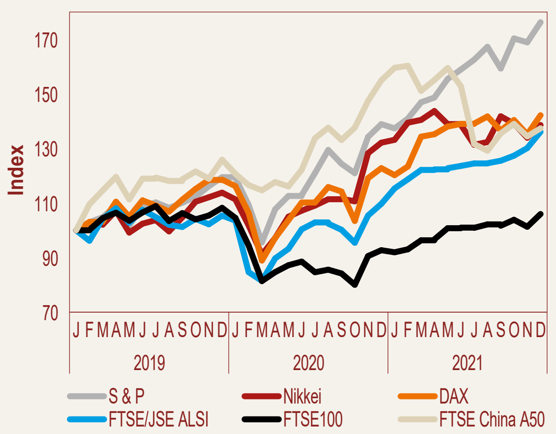
Base metal prices rose in 2021 on the back of the strong recovery in the global economy. The average price of zinc increased by 32.5 percent to US$3 003 per metric tonne (Figure C.1c), chiefly due to reduced supply in China, and global supply disruptions, including disruptions in smelting and recovery operations. In addition, the announcement by Belgian producer Nyrstar that it will cut production, citing rising power costs, also contributed to the increase. Similarly, copper prices rose by 50.9 percent to average US$9 317 per metric tonne, sustained by falling supply in China and strong demand for refined copper, and compounded by green initiatives.

The price of gold rose slightly in 2021 supported by the safe-haven demand. The price of gold recorded an increase of 1.7 percent to average US$1 799.63 per ounce (Figure C.1d), supported by rising inflation. In addition, the uncertainty brought about by COVID-19 and rising demand for jewellery in China and India also pushed the price of gold up. Furthermore, low interest rates, increasing global tensions and general economic concerns have given support to the gold price.

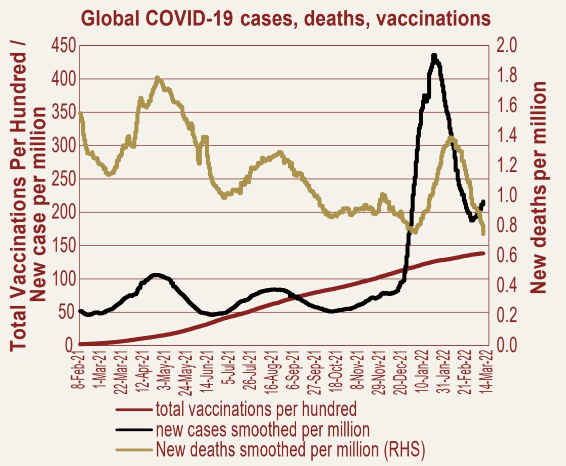
DEVELOPMENTS IN FINANCIAL MARKETS

FIGURE C.2 STOCK PRICE INDICES: END OF MONTH

a. The stock markets ended 2021 on a positive note, supported by strong earnings, positive economic outcomes and sustained monetary and fiscal stimulus.



b. The number of vaccinated people continued to rise, while deaths and infections followed the various pandemic waves but with lately fewer deaths relative to infections.

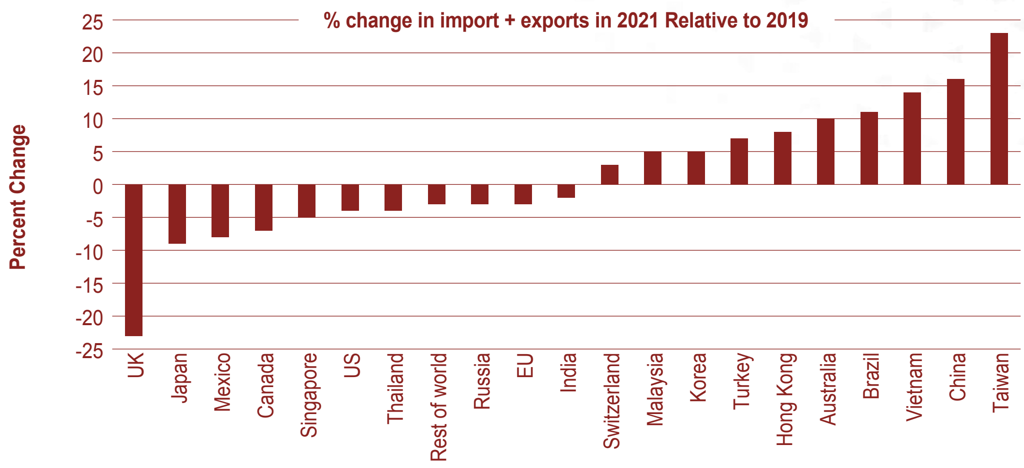


Source: Bloomberg, Our World in data

Global equity markets generally ended 2021 in positive territory, supported by a strong earnings outlook. The rally was noted in most of the developed equity markets and in South Africa. This was an indication that investors looked past negative developments such as the higher uncertainty associated with the Omicron variant, especially in the last quarter of 2021, as it was believed to have a less severe health impact than earlier variants. The positive returns were mostly on the back of impressive earnings growth in the last quarter of 2021, amid sustained monetary policy stimulus, a sharp recovery in consumer and government spending and a low base effect in 2020. In addition, the robust pace of the US recovery and progress in developing a "universal" vaccine to help fight all future COVID-19 variants also boosted the prices of equities. The US S&P 500 delivered a 26.9 percent return, Germany's DAX 15.8 percent, South Africa's JSE ALSI 24.1 percent, and the UK's FTSE100 14.3 percent (Figure C.2a). Japan's Nikkei generated a lower return of 4.9 percent due to its slower pace of recovery from the pandemic when compared to other large economies. Conversely, China's stock market recorded negative returns of 11.0 percent in 2021 compared to 2020, which was chiefly due to the government's regulatory crackdowns and strict COVID-19 measures.

WORLD TRADE DEVELOPMENTS

FIGURE C.3 PERCENTAGE GROWTH IN THE VOLUME OF WORLD TRADE IN GOODS AND SERVICES



Source: UNCTAD estimates based on national statistics

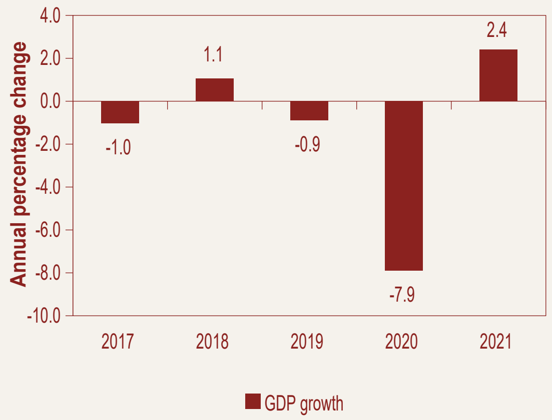
World trade reached an all-time high in 2021, but the outlook for 2022 is uncertain. The value of global trade in goods and services is estimated to have increased by US$5.2 trillion relative to 2020 and US$2.8 trillion relative to 2019, representing increases of 23.0 percent and 11.0 percent, respectively (Figure C.3). Trade in goods is estimated to have reached a record level of US$22 trillion in 2021, while trade in services was valued at about US$6 trillion in 2021, still slightly below its pre-pandemic level. The World Bank expects growth in global trade to slow to 5.8 percent in 2022 as demand moderates. International travel is likely to remain subdued, but gradually recover, supported by improvements in international mobility as vaccination continues. Downside risks to the global trade outlook are worsening supply bottlenecks due to the Omicron-driven pandemic surge, and rising protectionism in the longer time.

DOMESTIC ECONOMIC AND FINANCIAL DEVELOPMENTS

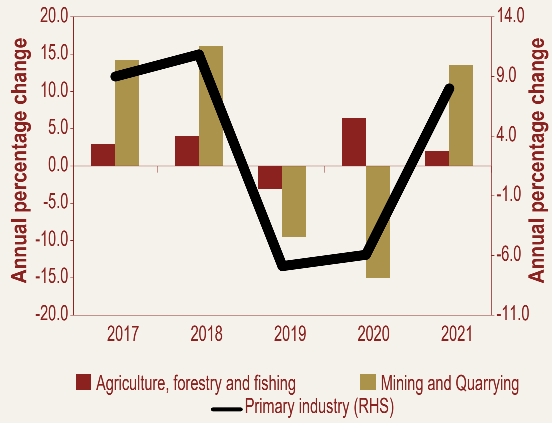
REAL SECTOR DEVELOPMENTS

FIGURE C.4 REAL SECTOR DEVELOPMENTS

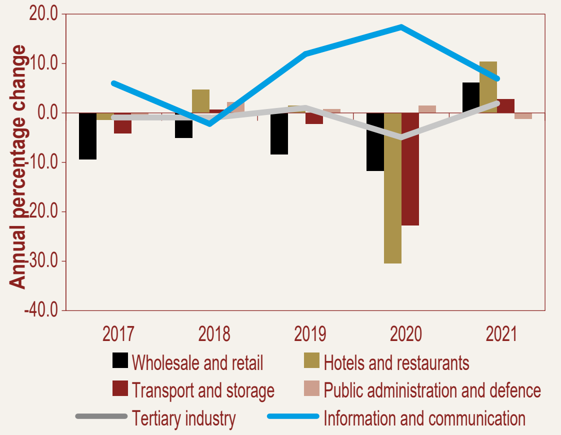
a. The Namibian economy registered a positive growth in 2021, after having registered a historically deep contraction in 2020.



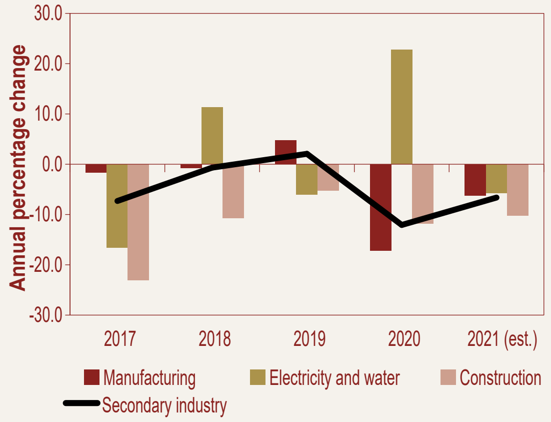
b. Positive growth was observed in the primary industry, arising mainly from recoveries in diamonds, uranium and other mining and quarrying.



c. Moreover, positive performances in the wholesale and retail trade, hotels and restaurants, public administration and defence, and information and communication sectors contributed to a rise in tertiary industry GDP.



d. Meanwhile, the secondary industry continued with a negative trajectory during 2021, although lesser when compared to 2020.



Sources: NSA for 2017-2021 figures

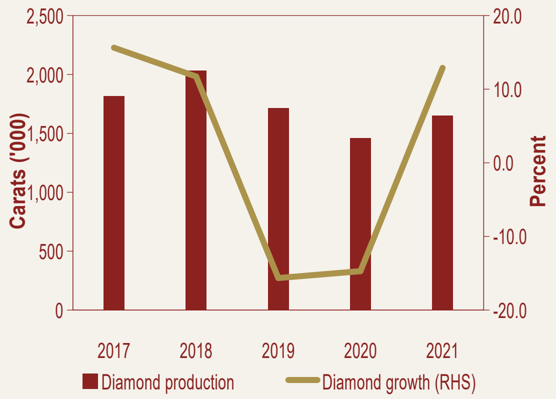
Namibia's economy registered a positive growth in 2021, which is mainly attributed to the recoveries in the primary and tertiary industries. Real GDP rose by 2.4 percent in 2021, following a historically deep contraction of 7.9 percent registered during the previous year (Figure C.4a). The positive growth in 2021 was on account of increased output registered in the primary and tertiary industries. This was attributed to a recovery in the production of *diamonds and uranium*, coupled with positive growth rates registered in the *wholesale and retail trade, hotels and restaurants, information and communication*. This was mainly ascribed to base effects following the severe restrictive measures imposed in 2020 to help prevent the further spread of the COVID-19 virus. Furthermore, the communication subsector continued to sustain the growth in the *information and communication* sector, on the back of strong demand for internet data triggered by the pandemic. Meanwhile, secondary industry registered a contraction of 6.6 percent in 2021, compared to a much steeper contraction of 12.1 percent registered during the previous year. The contraction in activity in the *secondary* sector was attributed to the declines in all subsectors namely the *manufacturing*, *electricity and water* as well as *construction*, which contracted by 6.2 percent, 5.7 percent and 10.2 percent, respectively, during the year under review.

Risks to domestic growth remained concentrated in the impact of the COVID-19 pandemic, the possibility of lower prices for some of Namibia's export commodities, geopolitical tensions and conflicts, and climatic swings. Risks to domestic growth have been dominated by continued or renewed travel restrictions across many countries, exacerbated by new waves of coronavirus infections, vaccine hesitancy, supply chain disruptions and the pace of vaccination in Namibia. The discovery of the latest new variant known as Omicron has led to tighter travel restrictions particularly affecting southern African countries, including Namibia. This could further delay the recovery observed especially in the *tourism* sector. Other risks to domestic growth include lower international prices for some of Namibia's export commodities, geopolotical tensions escalating to military conflicts, climatic swings, high prices for oil, and global supply disruptions due to new waves of COVID-19.

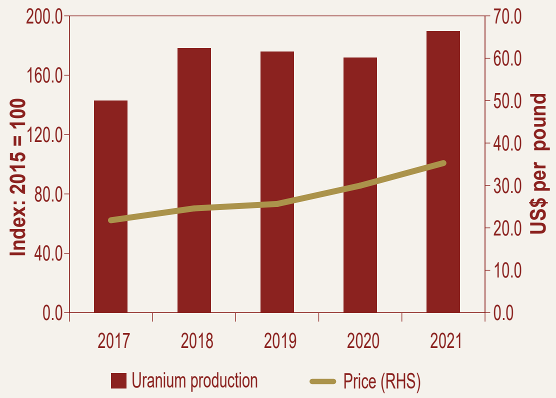
PRIMARY INDUSTRY DEVELOPMENTS

FIGURE C.5 PRIMARY INDUSTRY

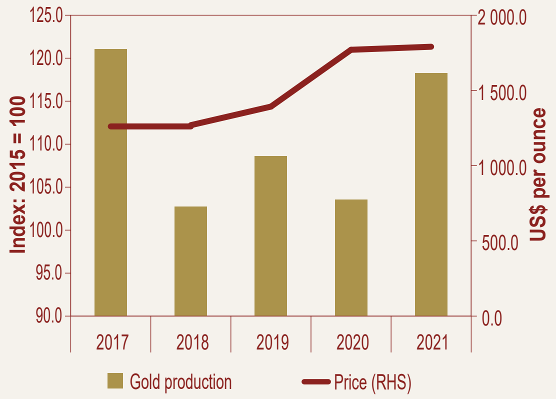
a. Primary industry output rose in 2021, driven by an increase in the production of rough diamonds during the year under review.



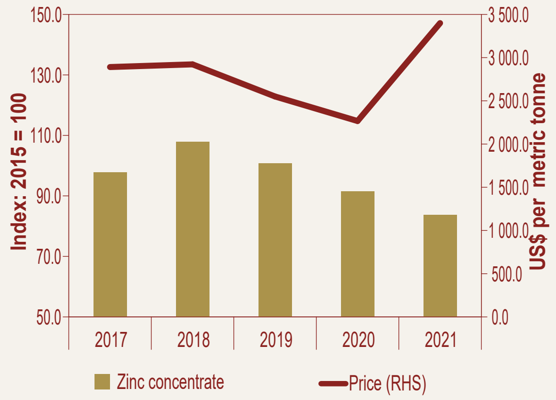
b. Uranium production also rose during 2021 compared to the previous year, aided by base effects and more reliable water supply.



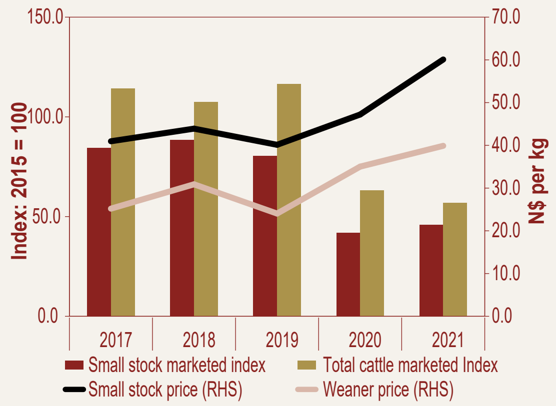
c. Production of gold rose during the period under review, owing to higher grade ore mined compared to the previous year.



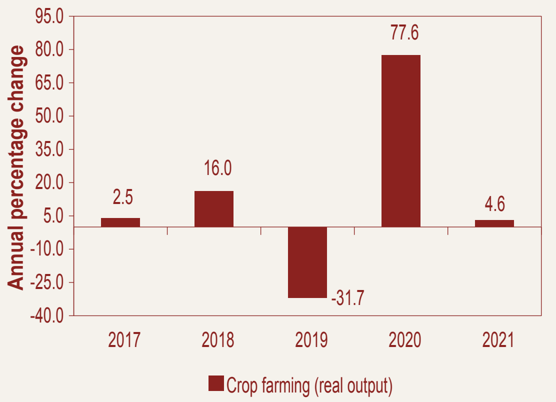
d. Meanwhile, production of zinc concentrate decreased during the year under review despite a notable price increase for zinc.



e. Farmers' marketing activity for cattle declined during 2021, while small stock marketing activity rose over the same period.



f. Crop farming output continued to expand in 2021, although significantly lower compared to the higher growth registered in 2020.



Source: Various companies

MINING

The mining sector registered positive growth in 2021, which is attributed to increased production of diamonds, uranium and gold; however, production of zinc concentrate declined over the same period. Value addition in the mining and quarrying sector grew significantly by 13.6 percent in 2021, compared to a contraction of 15.0 percent registered in 2020. The rise in the mining sector was attributed to a gradual pick-up in the demand for diamonds, following low global demand in 2020. Furthermore, the low base effects for uranium production was due to water supply constraints experienced by the uranium mines during 2020, and the mining of higher-grade ores in the gold subsector, also contributed to the uptick in mining output. In this regard, the production of diamonds rose by 2.7 percent to 1.5 million carats during the period under review, as the land-based mine resumed production (Figure C.5a). Moreover, uranium production rose by 10.5 percent to 7 050 tonnes during the period under review (Figure C.5b). The rise was ascribed to low base effects because of water supply constraints experienced in 2020 emanating from a high sulphur content in the ocean, which slowed down the water purification process at the desalination plant. Gold production rose by 14.2 percent to 7 104 kg, owing to the high grade of ore mined during the period under review once the gold mines had largely concluded their stripping of overburden (Figure C.5c). Meanwhile, production of zinc concentrate declined by 8.5 percent due to a lower grade of zinc ore body mined (Figure C.5d).

Prices of key Namibian export mineral commodities were favourable during the period under review. The spot price of uranium rose by 17.7 percent to an average of US$35.28 per pound during the year under review, mainly owing to improved global demand for nuclear fuel as countries look towards reducing carbon emissions (Figure C.5b). Additionally, the gold spot prices rose by 1.7 percent to an average of US$1 800 per fine ounce (Figure C.5c). Zinc spot prices rose significantly by 32.5 percent to US$3 003 per metric tonne owing to high demand from China (Figure C.5d).

AGRICULTURE, FORESTRY AND FISHING

Agriculture, forestry and fishing sector registered a positive growth during 2021, but lower compared to a higher growth rate registered during 2020. Real value addition in the agriculture, forestry and fishing sector rose by 2.0 percent in 2021, compared to a higher positive growth of 6.5 percent in 2020. This was driven by an increase in the real value addition in the crop farming and forestry subsector which rose by 4.6 percent during the year under review, as well as the fishing and fish processing on board (3.2 percent), ascribed to better rainfall received coupled with the timely allocation of fishing quotas. Meanwhile real value addition in the livestock farming declined over the same period, slightly offsetting the increase in the crop farming as well as fishing subsectors. The decline in livestock farming was attributed to the depleted herd sizes at the beginning of 2020 and to stock rebuilding by farmers during the year under review, following the severe drought conditions experienced during 2019.

Total cattle marketed declined in 2021, as farmers further rebuilt their herds after the devastating drought experienced in 2019. The total number of cattle marketed during the year under review fell by 9.9 percent compared to 2020, to 225 734 head of cattle. The decline was reflected in the numbers of cattle slaughtered for local consumption and weaners exported, which declined by 21.3 percent and 13.8 percent, respectively, to 32 504 head and 136 711 head. Meanwhile, the number of cattle slaughtered for export rose by 12.0 percent to 56 519 head, slightly offsetting the decline in the other catagories of livestock marketed during the period under review (Figure C.5e). The average price of beef rose by 21.2 percent to N$52.51 per kilogramme, while that of weaners rose by 13.9 percent to N$39.89 per kilogramme during the year under review. The increases in beef and weaner prices were a result of the limited supply caused by restocking activities undertaken by farmers.

The total number of small stock marketed rose during 2021 after a deep contraction in 2020. Small stock (sheep and goats) marketed rose by 9.4 percent to 505 222 head during 2021, compared to a deep decline of 47.9 percent registered in 2020 (Figure C.5e). The rise was reflected in the number of goats and sheep exported, which rose by 26.8 percent to 391 512 head during the period under review, compared to the previous year. The rise was ascribed to higher prices in South Africa coupled with better grazing conditions in the southern region of the country, which led to improved production. Meanwhile, the numbers of small stock slaughtered for local consumption and for export declined by 20.4 percent and 50.0 percent, respectively, to 100 456 head and 13 254 head during the year under review, partly offsetting the rise in the number of small stock marketed live. The average price of small stock rose by 15.5 percent to N$55.85 per kilogramme.

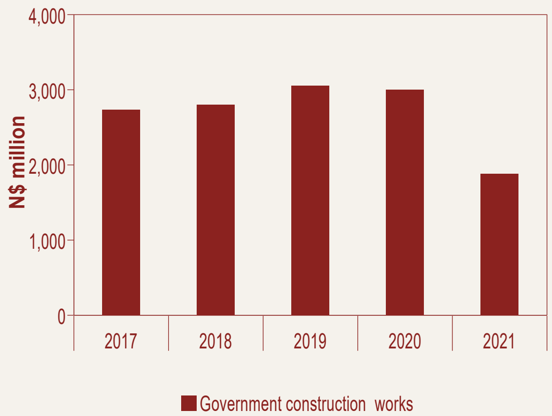
Production of milk declined during 2021 compared to the previous year, largely due to a rise in the cost of animal feed combined with competition from foreign producers. Milk production declined by 12.9 percent to 15.0 million litres during the year under review. The decline was mainly a result of high input costs caused by a rise in the price of animal feed, coupled with milk from foreign producers.

The fishing subsector output rose during 2021 compared to the previous year, driven in part by the timely allocation of fishing quotas, coupled with the auctioning of additional government objective quota. Real value addition in the *fishing* sector rose by 3.2 percent during the year under review, compared to a deep contraction of 9.0 percent in 2020. The rise was ascribed to the timely allocation of the fishing quota and the auctioning of additional government objective quota, as well as the low base effect caused by the imposition during April 2020 (even if only for a short period) of the stage one lockdown as per emergency regulations imposed by the Government to prevent the spread of the corona virus.

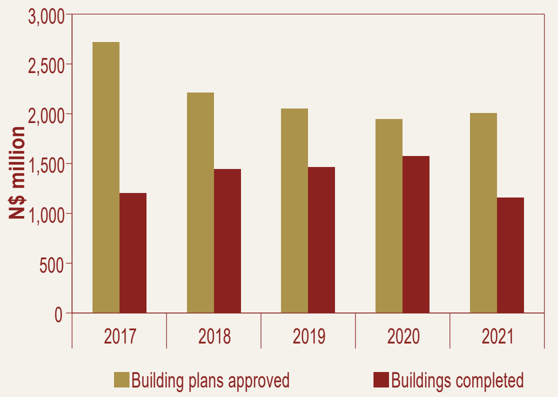
SECONDARY INDUSTRY DEVELOPMENTS

FIGURE C.6 SECONDARY INDUSTRY

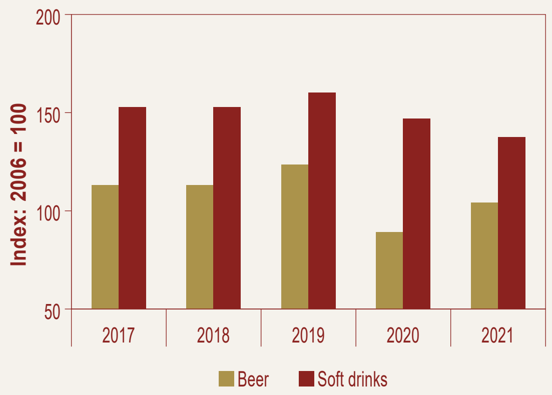
a. The real value earmarked for Government construction works decreased in 2021, compared to the previous year's level.



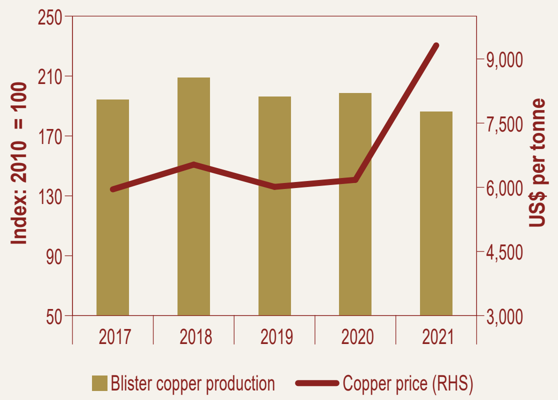
b. Similarly, the real value of buildings completed decreased, whereas that of building plans approved rose during the year under review.



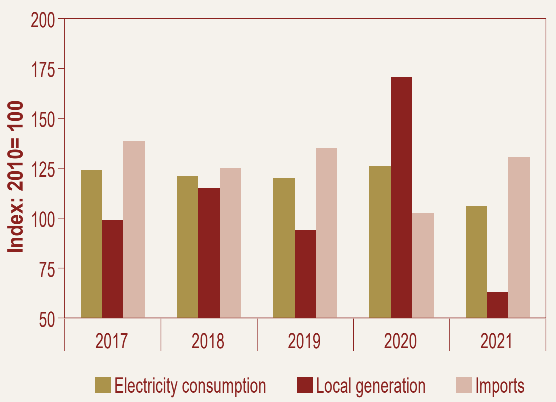
c. The production of beer rose owing to low base effects that emanated from COVID-19 restrictions, while that of soft drinks decreased during 2021.



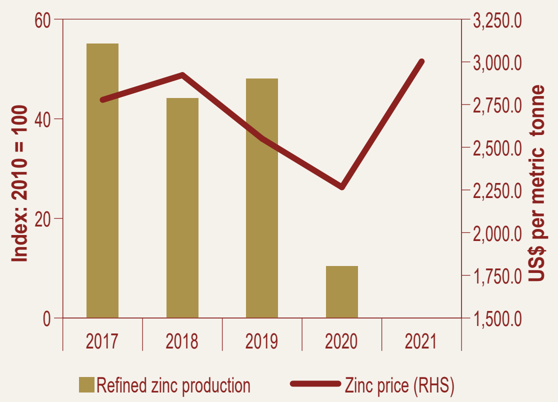
d. The production of blister copper decreased during 2021 due to scheduled maintenance taking longer than expected.



e. Similarly, electricity generation registered a decrease during 2021, mainly owing to the inadequate water inflow at the Ruacana hydroelectric power plant.



f. Refined zinc production declined significantly, with plant operations having been suspended since May 2020, when the plant was placed under care and maintenance.



Source: Municipalities, Ministry of Finance (MoF) and various companies

Construction

During 2021, the construction sector contracted markedly as payments towards Government construction programmes and the real value of the private sector construction works decreased. Real value added in the construction sector contracted by 10.2 percent in 2021, compared to a severe fall of 11.8 percent in 2020. The contraction in the sector was attributed to a decline in both Government construction activities and private sector construction works by 37.3 percent and 26.5 percent, respectively, in 2021, compared to a decrease of 1.6 percent and an increase of 7.5 percent, respectively, in 2020 (Figure C.6a and b). The decline in the private sector construction works also reflects lower budgetary provisions for construction projects in the 2021/22 fiscal year, as a large share of private sector construction work originated from demand created by Government projects. The decline in the real value of buildings completed was mirrored in new residential buildings (additions and alterations) in Windhoek, Ongwediva, Walvis Bay and Swakopmund. This was further aggravated by a decline in the value of new commercial buildings completed (additions and alterations) in Windhoek, Walvis Bay and Swakopmund. However, the real value of building plans approved, which is a leading indicator for construction activity, recorded an increase of 3.2 percent over the same period. This was reflected in a rise in the real value of new building plans approved for both residential and commercial properties in Windhoek, Swakopmund, Walvis Bay and Ongwediva.

Manufacturing

Output in the manufacturing sector decreased in 2021, dragged mainly by low production of basic non-ferrous metals and diamond processing. Output in the manufacturing sector recorded a decline of 6.2 percent, compared with a substantial decline of 17.1 percent registered in 2020. This was largely attributed to the decline in the production of basic non-ferrous metals and diamond processing. The decline in the basic non-ferrous metals was primarily ascribed to the decreased in throughput for refined zinc has been suspended since May 2020, when the plant was placed under care and maintenance (Figure C.6f). Moreover, production of blister copper also fell, largely, due to scheduled maintenance that took longer than expected, (Figure C.6d). Additionally, the production of soft drinks decreased during the period under review, compared to the preceding year (Figure C.6c). The decrease was attributed to the anticipated reduction in the consumption, due to, among other factors, partial lockdowns and restrictions on social gatherings. These decreases were, however, offset by the rise in throughput for products, including beer production and cement output that increased by 52.5 percent, 20.5 percent and 7.8 percent, respectively. These increases were, for the most part, attributed to COVID-19 pandemic-induced low base effects and the gradual picking up in demand when the pandemic restrictions were relaxed, alongside rising vaccine rollouts locally and globally.

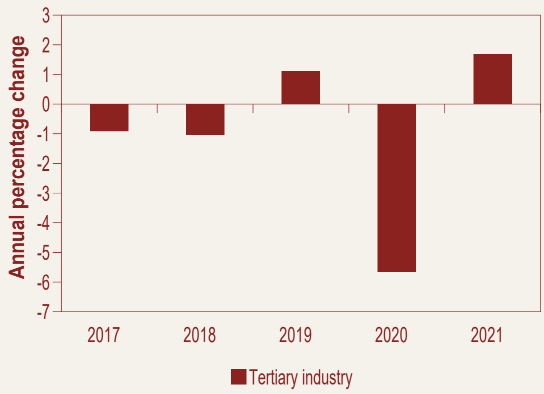
Electricity and water

Owing to inadequate inflow of water at the Ruacana hydroelectric power plant, the *electricity and water* sector recorded a decrease in production in 2021 compared to 2020. The sector's real value added registered a decline of 5.7 percent in 2021, compared to an increase of 22.8 percent in 2020. The contraction was largely driven by the electricity subsector, mainly as result of inadequate inflow of water at the Ruacana hydroelectric power plant during the 2020/2021 rain season, compared to the same period in 2019/2020. This followed poor rainfall received in southern Angola during the 2020/2021 rain season. As a result, imports of electricity increased, year-on-year, by 27.4 percent (Figure C.6e).

TERTIARY SECTOR DEVELOPMENTS

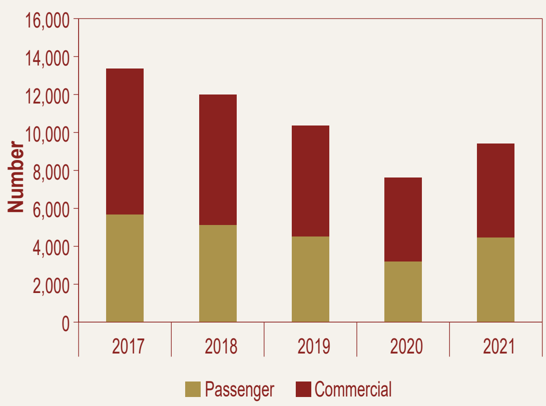
FIGURE C.7 TERTIARY INDUSTRY

a. Tertiary industry output registered a positive growth rate in 2021, recovering from a contraction in 2020 …

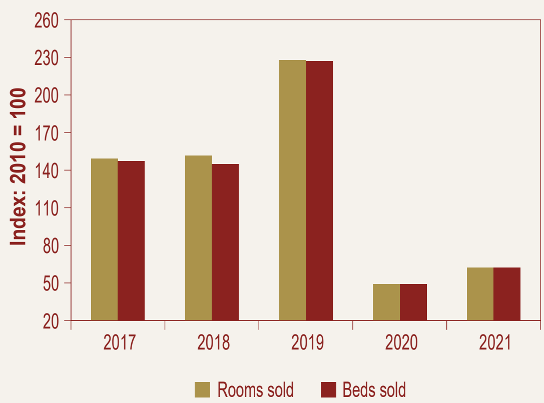


b. … as the wholesale and retail trade sector's real sales displayed an increase in 2021.

c. The number of new vehicles sold also increased, supporting activity in the wholesale and retail trade sector.

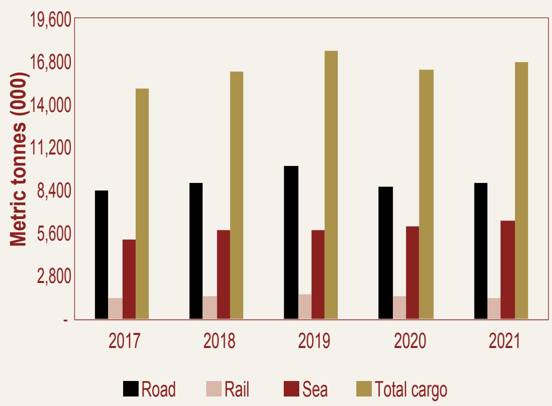


d. Tourism activity gained ground lost during 2020 in 2021 as reflected in the increased number of rooms and beds sold, but it remained generally weak and still far below the pre-COVID-19 levels …



e. … as visitor arrivals at Namibian airports rose steadily across both international and regional arrivals but remained far below 2019 levels.

f. Cargo volumes transported increased in 2021, driven mainly by the increase in sea cargo during the period under review.



Sources: NSA, NAAMSA, Namport, TransNamib, Road Authority and other transport operators, Namibia Airports Company and Hospitality Association of Namibia

Wholesale and retail trade

***Wholesale and retail* trade activity increased in 2021, partly due to low base effects that followed the hard lockdown and other restrictions that were introduced in 2020 to slow the spread of the pandemic.** Real value addition in the *wholesale and retail* trade sector increased by 6.1 percent in 2021, compared to a substantial contraction of 11.7 percent registered in 2020 (Figure C.7b). The increase was partly due to low base effects and improved demand, largely emanating from a gradual reduction in restrictions induced by the pandemic, which led to the uptick in local economic activity. As a result, the real turnover of the wholesale and retail trade sector rose, year-on-year, by 2.8 percent to N$22.8 billion in 2021. The increase was reflected in virtually all subsectors but was more pronounced in the vehicles and wholesale subsectors. The total number of new vehicles sold rose substantially by 23.8 percent in 2021, with commercial and passenger vehicle sales increasing by 12.3 percent and 39.6 percent, respectively.

Tourism

Activity in the *tourism* sector remained generally weak under the influence of the COVID-19-induced travel restrictions and social distancing regulations, although tourism did register a slight recovery during 2021 compared to 2020. The sector's real output increased markedly, by 10.4 percent in 2021, after recording a devastating negative growth rate of 30.4 percent in 2020. The rise in 2021 was manifested in increases in the number of bed and room nights sold by the hospitality industry, as well as in regional and international passenger arrivals at Namibian airports (Figure C.7d and C.7e). The increase was largely due to the easing in travel restrictions, as the economy gradually opened up, supported by the local and global vaccine rollout. Total passenger arrivals remained well below the 2019 levels (i.e., the pre-COVID 19 levels), however, which implies that the sector's activity remains generally weak. COVID-19 waves hit Namibia severely, especially at the beginning of 2021, then in June/July, and again in November/December 2021, when the discovery of the Omicron variant resulted in tighter travel restrictions being imposed, especially on travellers to and from the southern African countries, including Namibia. The tourism sector's pace of recovery continues to depend on the emergence of new COVID-19 variants and the pace of vaccination rollout in Namibia and globally. These will in part determine the extent of the opening of the economy and the normalisation of travel globally.

Transport and storage

Activity in the transport and storage sector increased in 2021, driven mainly by the sea cargo, amid persistent challenges posed by COVID-19 restrictions. The real value added in the transport and storage sector increased by 2.8 percent in 2021, compared to a deeper contraction of 22.7 percent recorded during 2020. Within this setting, total cargo volumes improved by 2.5 percent during the period under review, compared to a substantial decline of 6.7 percent recorded during the previous year (Figure C.7f). The increase was largely due to the rise in the shipment of manganese from South Africa via Lüderitz Harbour and Namibia's recent first-ever consignment of iron ore from Lodestone Namibia Proprietary Limited, near Windhoek. Positive spill-over effects of the recent civil unrest in South Africa were also felt during the period under review, as a number of vessels temporarily shifted to Walvis Bay for transhipment services. Road and rail cargo volumes, however, remained generally weak in 2021 amid subdued bulk cargo activity, particularly for blister copper, zinc and live animals. During the year, rail traffic suffered some setbacks arising from technical factors.

Information and communication

Activity in the *information and communication* sector continued to increase in 2021, as it had in 2020, due to increased demand for internet and data services. The value addition in the *information and communication* sector registered growth of 6.9 percent in 2021, after it surged substantially by 17.4 percent in 2020. The lower growth in 2021 suggests a degree of normalisation of activity, following the hasty adoption of remote working and e-learning induced by the COVID-19 pandemic that had boosted the demand for telecom services to unprecedented levels.

Public administration and defence

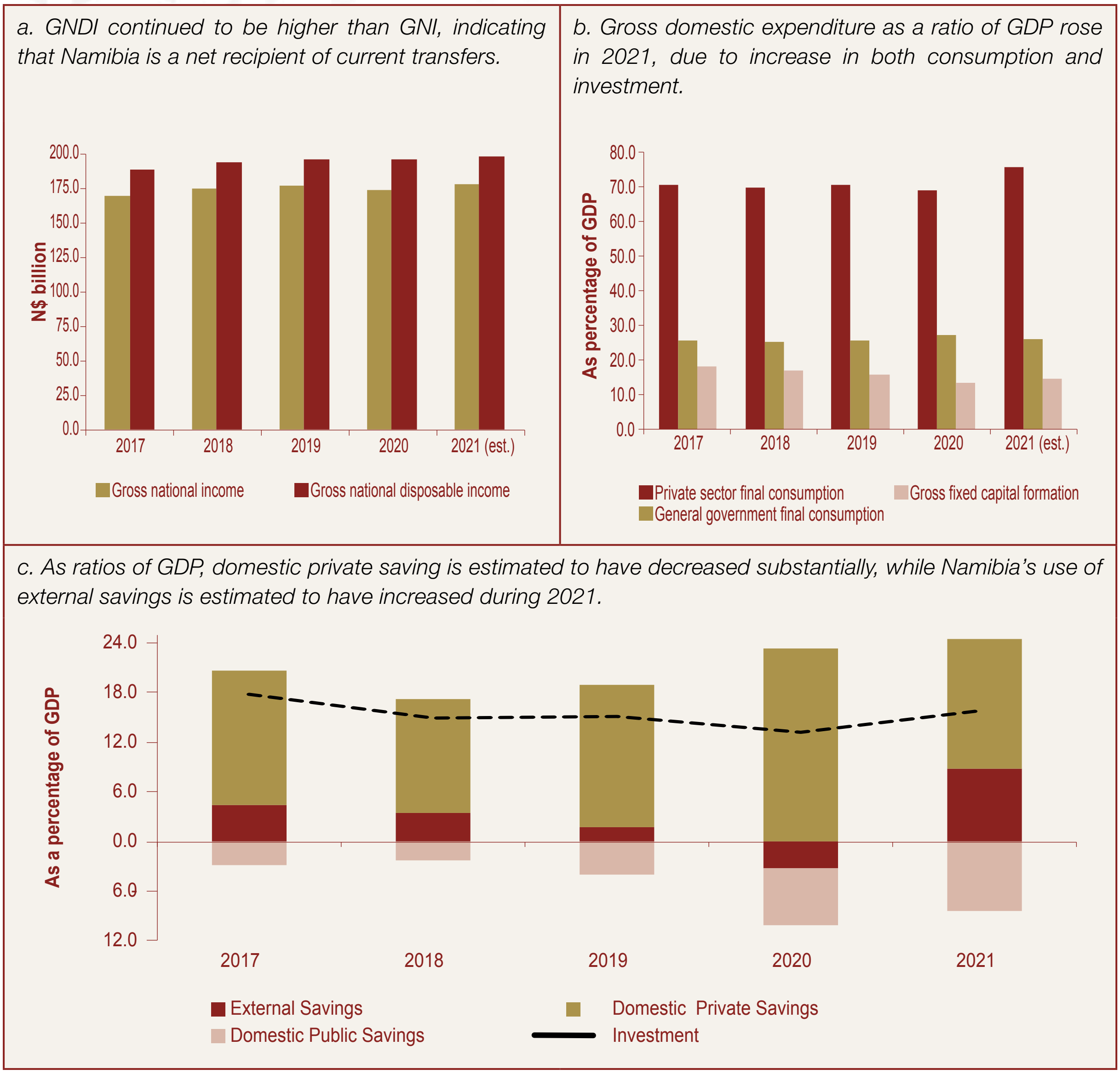
Real value added in the *public administration and defence* sector increased during 2021, partly due to an increase in staff numbers. The sector grew by 0.5 percent in 2021, after it dropped by 1.2 percent during the previous year. A moderate rise suggests that the fiscal consolidation programme continued to weigh on this sector, amid mounting challenges posed by the pandemic, which compelled the Government to fiscally intervene to minimise the impact of COVID-19 on economic activity and other socio economic fronts.

Gross national income and gross national disposable income

Namibia's gross national income (GNI) and gross national disposable income (GNDI)[14] are estimated to have increased during 2021. GNI at current prices is estimated to have risen to N$177.1 billion in 2021 from N$172.7 billion in 2020, representing an increase of 2.6 percent (Figure C.8a). The estimated increase in GNI during 2021 was largely in line with a 4.0 percent growth in nominal GDP during the year. Similarly, GNDI is estimated to have increased by 1.1 percent to N$197.1 billion in 2021, from N$195.0 billion in the preceding year. Furthermore, GNDI remained higher than GNI in 2021, indicating that Namibians continued to receive more income transfers from the rest of the world than they sent abroad. During the period from 2013 to 2021, GNDI has been higher than the GNI because of net inflows of current transfers, which are largely made up of SACU receipts.

14 GNI and GNDI measure total income received by residents. GNI measures total income earned by the factors of production owned by residents, both inside and outside of Namibia, while GNDI measures disposable income of residents plus net income transfers from abroad.

FIGURE C.8 GNI, GNDI AND SAVINGS



Source: NSA for 2017–2021, Bank of Namibia estimates for 2021 in Figure C.8a.

Gross domestic expenditure

Gross domestic expenditure as a ratio of GDP increased in 2021, in line with higher final consumption and investment. Gross domestic expenditure at current prices increased to N$212.3 billion in 2021 from N$189.9 billion in the previous year, representing an 11.8 percent rise. As a ratio of GDP, gross domestic expenditure rose to 117.4 percent in 2021, from 109.2 percent in 2020. This increase was largely attributed to improvements in household final consumption expenditure and in gross fixed capital formation, which increased by 13.8 percent and 11.4 percent, respectively, in 2021. In contrast, Government final consumption expenditure decreased marginally, as the Treasury continued to limit growth in public spending. Gross fixed capital formation by the Government also decreased by 4.9 percent in 2021, reflecting lower investment by the public sector (Figure C.8b).

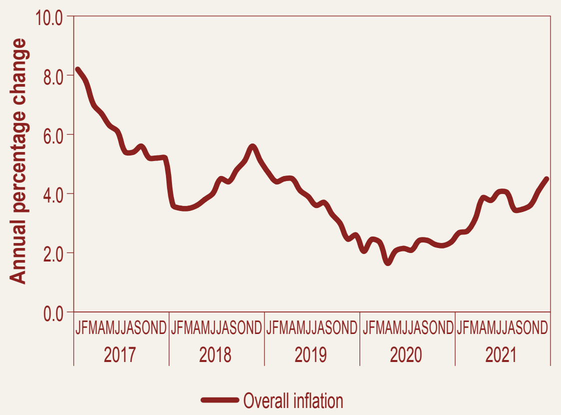
Savings and investment balance

Namibia's total domestic savings as a percentage of GDP fell substantially during 2021. Total domestic savings as a ratio of GDP is estimated to have decreased to 7.2 percent in 2021, from 16.4 percent in the preceding year. The decline was reflected in lower savings for both the private and public sectors (Figure C.8c). As a ratio of GDP, domestic private savings are estimated to have fallen to 15.6 percent in 2021, from 23.3 percent in 2020. At the same time, the domestic dissaving rate by the public sector increased to 8.5 percent of GDP in 2021, from a slightly lower dissaving rate of 6.9 percent of GDP in 2020. National savings are important in any economy as they contribute to investment funding, which in turn stimulates economic growth. Namibia's savings decreased significantly over the last six years, from a high of 34.8 percent of GDP in 2014. During 2021, Namibia's investment (gross fixed capital formation plus changes in inventories) was equivalent to 15.9 percent of GDP, while total domestic saving was 7.2 percent of GDP, leaving a negative savings-investment gap equivalent to 8.8 percent of GDP. This gap was filled by savings from the external sector. In other words, domestic savings were lower than investment, and the shortfall was funded by non-residents. The counterpart to this was that Namibia ran a deficit on the current account in 2021.

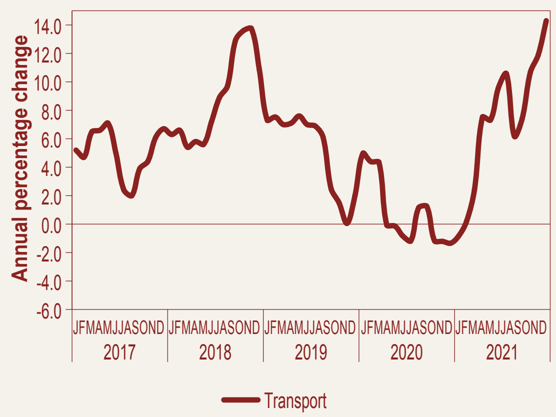
PRICE DEVELOPMENTS[15]

FIGURE C.9 PRICE DEVELOPMENTS

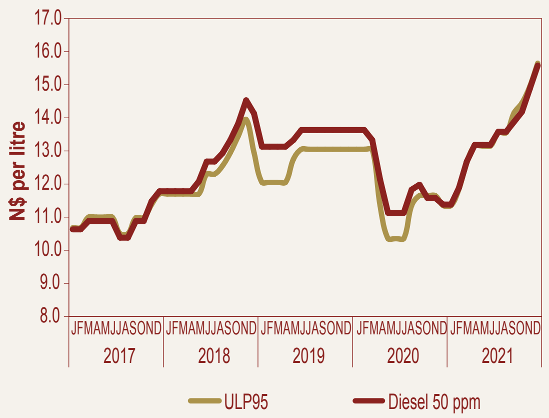
a. Namibia's overall inflation rose during 2021, compared to the previous year.



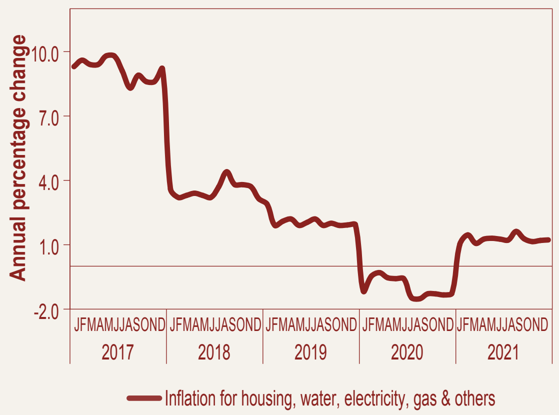
b. The rise in the overall inflation was mainly driven by an acceleration in the inflation for transport…



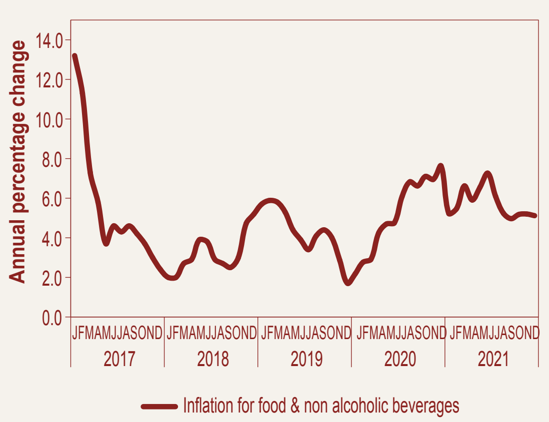
c. … as reflected in pump prices for petrol and diesel, owing to an increase in the international price of oil.



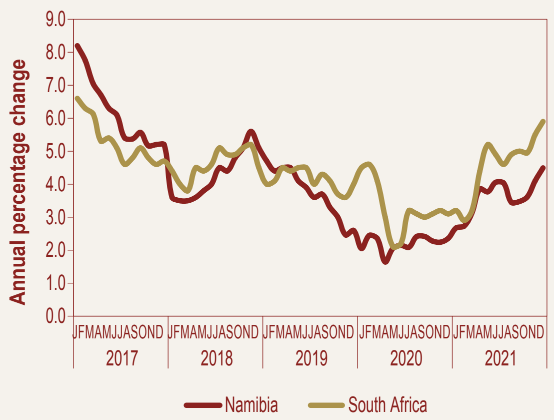
d. Moreover, inflation for housing rose during 2021, driven by a rise in rental payments for dwellings.



e. Furthermore, inflation for food increased during the year, driven in part by a rise in the price of oils and fats, as well as meat.



f. Namibia's inflation has generally remained below that of South Africa since early 2019.



Source: NSA and Stats SA

15 The analyses in this section are based on the National Consumer Price Index (NCPI) series based on the 2015/2016 Namibia Household Income and Expenditure Survey.

Namibia's overall inflation rate rose during 2021 compared to the previous year. Inflation rose by 1.4 percentage points to an average of 3.6 percent during the year under review (Figure C.9a). The rise in inflation was largely driven by an increase in inflation for transport, housing and food during the period under review. This was on account of a rise in international oil prices, as well as a return to positive inflation for the *rental payment for dwelling subcategory*, coupled with supply constraints, particularly for meat.

Transport inflation increased during the year under review, as reflected by an increase in inflation for the subcategory *purchases of vehicles* as well as *operation of personal transport equipment*. Transport inflation increased on average by 6.4 percentage points to 7.3 percent during 2021, compared to the previous year (Figure C.9b). This was driven by a rise in inflation for the subcategories *purchase of vehicles* and *operation of personal transport equipment*, which increased by 4.1 percentage points and 11.6 percentage points, respectively, to 8.8 percent and 9.4 percent. The rise was partly due to a reduction in the production of vehicles, owing to a shortage in the supply of semiconductors, which added to imported inflation. Furthermore, an upward movement in the international oil price during the period under review also contributed to the increase in inflation for this subcategory. Meanwhile, inflation for the *public transport* subcategory declined by 6.7 percentage points to -0.7 percent, partially weighting down the increase in transport inflation. The decline was due to high base effects owing to an upward adjustment in taxi fares during the corresponding period in 2020 due to the imposition of severe COVID-19 restrictions that reduced taxi passenger numbers; this was reversed in 2021.

Pump prices for petrol and diesel rose during 2021, largely due to a rise in international oil prices. Pump prices for petrol and diesel 50 ppm rose on average to N$13.47 per litre and N$13.43 per litre during the year under review, from N$11.60 per litre and N$12.04 per litre registered during the previous year, respectively (Figure C.9c). This was mainly due to a rise in the international oil price during the period under review, as demand recovered from the negative effects of the pandemic. Furthermore, a shortage of natural gas and coal for power generation in Europe and Asia contributed to the higher demand for oil.

Annual inflation for housing, water, electricity, gas and other fuels rose during the year under review, driven mainly by an increase in the inflation for rental payments for dwellings. Inflation for this category rose by 2.2 percentage points to an average inflation rate of 1.3 percent during 2021 (Figure C.9d). The increase in inflation for this category was reflected in *rental payments for dwellings* and *regular maintenance and repair of dwellings*, which rose by 3.5 percentage points and 5.8 percentage points, respectively, to 1.3 percent and 7.6 percent. This was mainly ascribed to base effects following the deflationary pressure in the rental market during the previous year, as demand worsened due to job losses and reduced income even before the onset of the COVID-19 pandemic. The situation has since improved slightly as some firms that were temporarily closed in the tourism sector have re-opened. Meanwhile, the charges for *water supply, sewerage service and refuse collection* as well as the *electricity, gas and other fuels* subcategories declined over the same period, slightly offsetting the increase in the inflation for housing.

Inflation for food and non-alcoholic beverages rose on average during the year under review, owing partly to supply constraints, particularly for meat, coupled with poor sunflower crops, which led to high prices for oils and fats. Inflation for this category rose by 0.5 percentage point to 5.7 percent during 2021 (Figure C.9e). The increase was mainly reflected in subcategories such as *meat* and *oils and fats*. These subcategories rose by 6.2 percentage points and 7.1 percentage points, respectively, to 13.3 percent and 13.8 percent. The increase was attributed to supply constraints, particularly for meat, due to less marketing activity by farmers owing to restocking, coupled with a rise in the price of cooking oil owing to poor sunflower crops globally as a result of adverse climatic conditions. Furthermore, the exchange rate depreciation also contributed to the rise in the price of cooking oil.

TABLE C.4 INFLATION FOR FOOD AND NON-ALCOHOLIC BEVERAGES

Percent	2017	2018	2019	2020	2021
ALL ITEMS	**6.2**	**4.3**	**3.7**	**2.2**	**3.6**
FOOD AND NON-ALCOHOLIC BEVERAGES	**5.7**	**3.2**	**4.3**	**5.2**	**5.7**
Food	**5.3**	**3.3**	**4.5**	**5.0**	**6.1**
Bread and cereals	0.5	1.6	6.4	1.5	3.2
Meat	8.9	6.3	0.8	6.3	13.3
Fish	15.4	2.8	2.0	6.4	1.5
Milk, cheese and eggs	4.4	0.7	3.8	4.3	2.7
Oils and fats	2.6	2.6	0.5	5.7	13.8
Fruit	5.2	9.5	10.6	16.2	11.6
Vegetables including potatoes and other tubers	1.3	5.7	13.1	10.5	3.8
Sugar, jam, honey, syrups, chocolate and confectionery	11.8	1.2	4.2	4.2	1.1
Food products n.e.c.	8.6	2.5	1.6	4.3	1.9
Non-alcoholic beverages	**9.3**	**2.4**	**2.5**	**3.2**	**2.6**
Coffee, tea and cocoa	15.0	3.1	4.0	6.3	2.9
Mineral waters, soft drinks and juices	7.8	2.2	2.0	2.3	2.5

Source: NSA

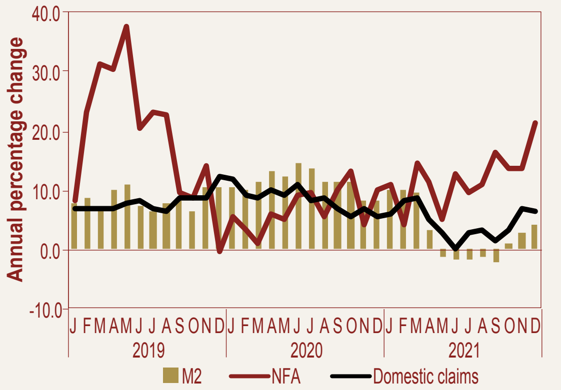
Inflation for South Africa rose during 2021 and continued trending above that of Namibia, due to higher transport inflation in that country. South Africa's inflation rate rose by 1.3 percentage points to 4.6 percent during the year under review, 0.9 percentage point above that of Namibia. This was mainly owing to higher transport inflation in South Africa, which amounted to an average of 9.1 percent during the period under review (Figure C.9f), compared to Namibia's transport inflation of 4.8 percent registered over the same period. The higher inflation in South Africa compared to that in Namibia was mainly attributed to a higher adjustment in pump prices in the former.

MONETARY AND FINANCIAL MARKET DEVELOPMENTS

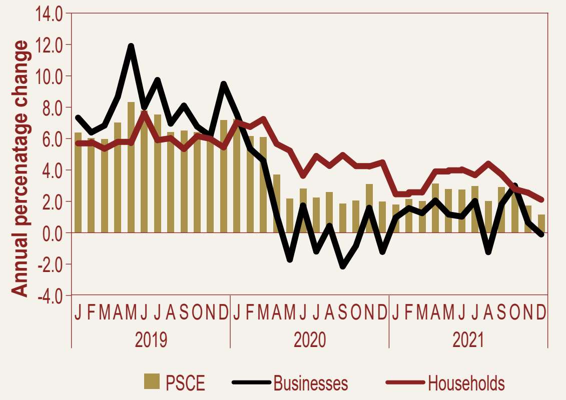
During 2021, the Bank's Monetary Policy Committee (MPC) kept the Repo rate unchanged. The MPC kept the Repo rate unchanged at 3.75 percent over the course of 2021. The decision to keep the Repo rate unchanged was deemed appropriate to support domestic economic growth, while maintaining the one-to-one peg between the Namibia Dollar and the South African Rand. Growth in broad money supply (M2) slowed in 2021 in comparison with 2020, which was underpinned by sharply more negative net other assets. Similarly, the annual growth in narrow money (M1) slowed, and generally resembled that of M2. Growth in private sector credit extension (PSCE) slowed on average during 2021, due to lower demand for credit by households.

FIGURE C.10 MONETARY AND FINANCIAL MARKET DEVELOPMENTS

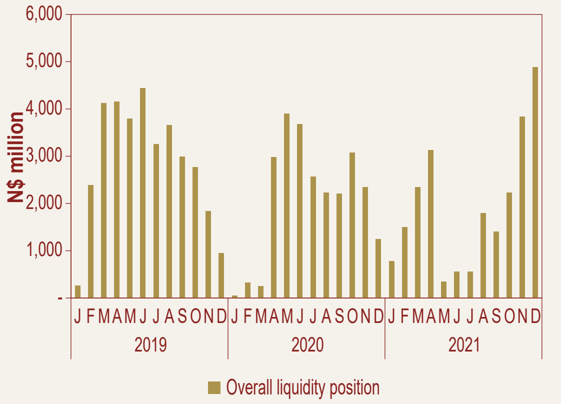
a. The annual growth in broad money supply (M2) slowed on average in 2021, as precautionary and speculative motives for holding money waned.



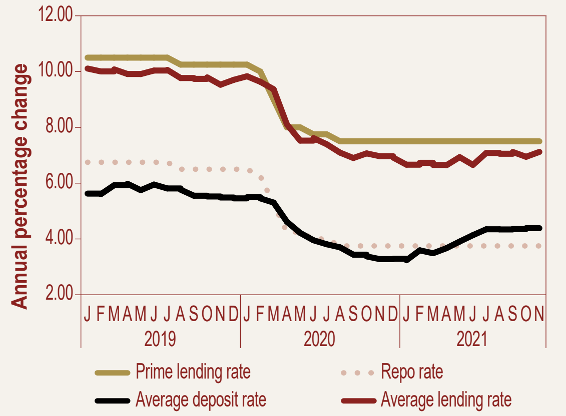
b. Growth in private sector credit extended (PSCE) slowed in 2021, due to lower demand for credit especially from the household sector.



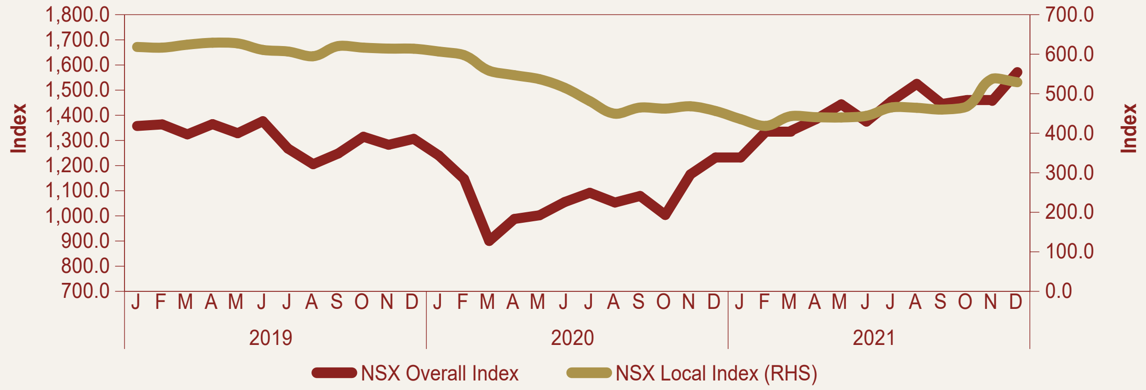
c. The overall liquidity position of the Namibian banking industry was fairly tight in 2021 although easing towards year end.



d. The banks' prime lending rate remained low during 2021 in line with the Repo rate.



e. The Overall and Local share price indices of the Namibian Stock Exchange ended 2021 at higher levels than 2020.



Monetary aggregates

During 2021, the monetary aggregates were characterised by slower growth arising from softening precautionary and speculative demand for money. Whereas the initial uncertainty arising from the onset of the pandemic had boosted the demand for money in 2020, this was reversed in 2021 as uncertainty waned and a sense of normality returned to the financial markets. The main counterpart to the slower growth in the broad money supply (M2) during the period under review was the net other assets[16] of the depository corporations, which became significantly more negative in 2021.

TABLE C.5 MONETARY AND CREDIT AGGREGATES, ANNUAL AVERAGES

(N$ million)	2017	2018	2019	2020	2021
Net foreign assets	34,451	35,202	41,728	44,633	49,998
Net domestic assets	99,389	110,769	119,628	129,758	135,718
Claims on other sectors	93,823	100,515	107,075	109,971	110,897
of which : claims on households	49,579	53,291	56,460	59,514	61,333
: claims on businesses	37,960	39,869	43,291	44,102	44,481
Net claims on central Govt	5,565	10,254	12,553	19,786	24,821
claims on central Govt	13,379	18,031	21,742	28,054	34,244
less government deposits	7,814	7,777	9,189	8,268	9,424
Other items, net*	-41,147	-44,870	-51,659	-52,247	-61,424
Broad money	92,692	101,100	109,697	122,144	125,291
(Change during period, N$ million)					
Net foreign assets	3,783	750	6,527	2,904	5,365
Net domestic assets	9,089	11,380	8,859	10,130	5,960
Claims on other sectors	5,860	6,691	6,560	2,897	926
of which : claims on households	3,567	3,712	3,168	3,054	1,819
: claims on businesses	1,705	1,909	3,422	812	378
Net claims on central Govt	3,229	4,689	2,299	7,233	5,034
Claims on central Govt	2,062	4,652	3,711	6,313	6,190
less government deposits	-1,167	-37	1,412	-921	1,156
Other items, net*	-5,099	-3,723	-6,789	-587	-8,178
Broad money	7,773	8,408	8,597	12,447	3,148
(Annual percentage growth rates)					
Net foreign assets	12.3	2.2	18.5	7.0	12.0
Claims on other sectors	6.7	7.1	6.5	2.7	0.8
of which : claims on households	7.8	7.5	5.9	5.4	3.1
: claims on businesses	4.7	5.0	8.6	1.9	0.9
Broad money	9.2	9.1	8.5	11.3	2.6

Money supply

The average annual growth in M2 slowed in 2021 compared to 2020, due to lower demand for money as precautionary and speculative sentiment started to fade. Average M2 growth slowed to 2.6 percent year on year during 2021 compared to 11.3 percent in 2020 (Figure C.10a). The slower growth in M2 during the period under review was underpinned by reduced uncertainty as the world started to come to terms with the pandemic. Similarly, the less volatile non-transferable deposits, the largest component of M2, registered a contraction of 1.7 percent on average in 2021, from an average growth of 10.4 percent in 2020,

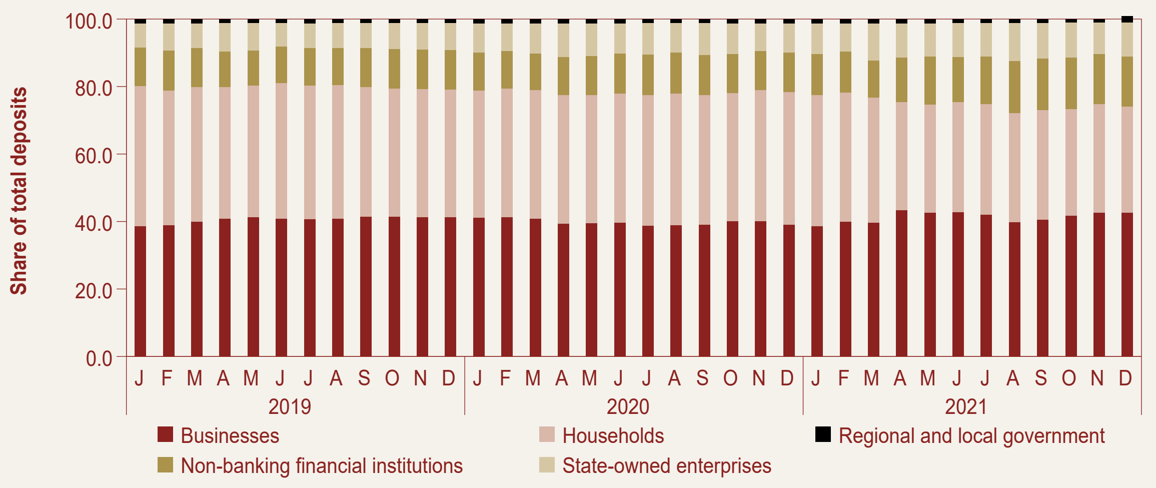
16 Net other assets are also known as other items net.

as reflected in the lower growth of the deposit holdings of other financial corporations and other resident sectors. Growth in transferable (demand) deposits slowed by 7.5 percent on average during 2021 from 13.1 percent registered in 2020 to end the year at N$65.9 billion. Conversely, growth in currency in circulation, the most liquid form of money, was 3.7 percent during 2021, an improvement from the 1.7 percent registered in 2020. The average annual net foreign assets of depository corporations rose by 15.5 percent to N$51.5 billion, from an average annual growth rate of 6.9 percent in 2020 (Table C.5).

Sources of funds of Other Depository Corporations

Total deposits[17] rose in 2021, mostly held by businesses and households. At the end of 2021, total deposit holdings of businesses and households accounted for 41.4 percent and 33.7 percent of total deposits, respectively. The remaining 24.9 percent stemmed from other financial corporations, regional and local governments and public non-financial corporations. These patterns changed due to a reduction in deposit holdings of households, since in the previous year, deposits of businesses and households accounted for 39.1 percent and 39.2 percent, respectively (Figure C.11). The reduction in deposit holdings placed by households is partly an indication of reduced income as a result of the COVID-19 pandemic.

FIGURE C.11 SOURCES OF FUNDS OF OTHER DEPOSITORY CORPORATIONS



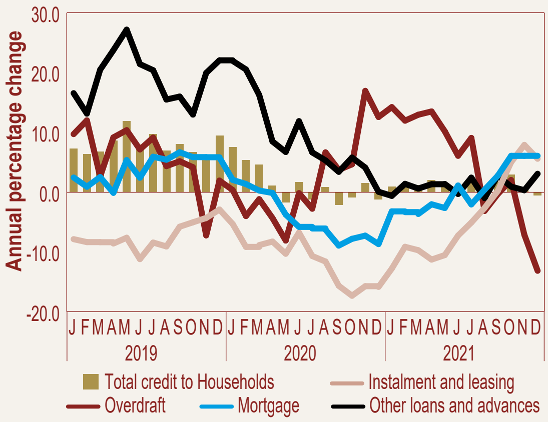
Extension of bank credit to the private sector

Growth in credit extended to the private sector slowed in 2021 compared to 2020, due to lower demand, predominantly because of persistently subdued domestic economic activity. On an annual basis, growth in PSCE moderated to an average annual rate of 2.4 percent in 2021, from an annual average of 3.5 percent recorded during 2020. The annual growth in PSCE slowed during 2021, due to lower demand for credit by individuals as a result of the sluggish domestic economic environment. Borrowers' appetite for credit consequently remained low. The subdued growth in total credit extended was reflected in lower growth rates for mortgage credit and other loans and advances during the period under review.

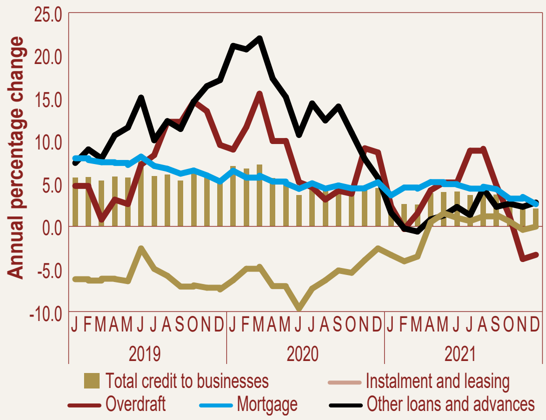
17 Total deposits for Other Depository Corporations includes all the seven commercial banks, Money Market Unit Trust funds and other deposit takers, i.e. Nampost Savings Bank, Agribank and National Housing Enterprise. Hence, total deposits in this section differ from total deposits reported in the Banking Supervision section (Part D), which only reports deposits with the commercial banks.

FIGURE C.12 CREDIT DEVELOPMENTS

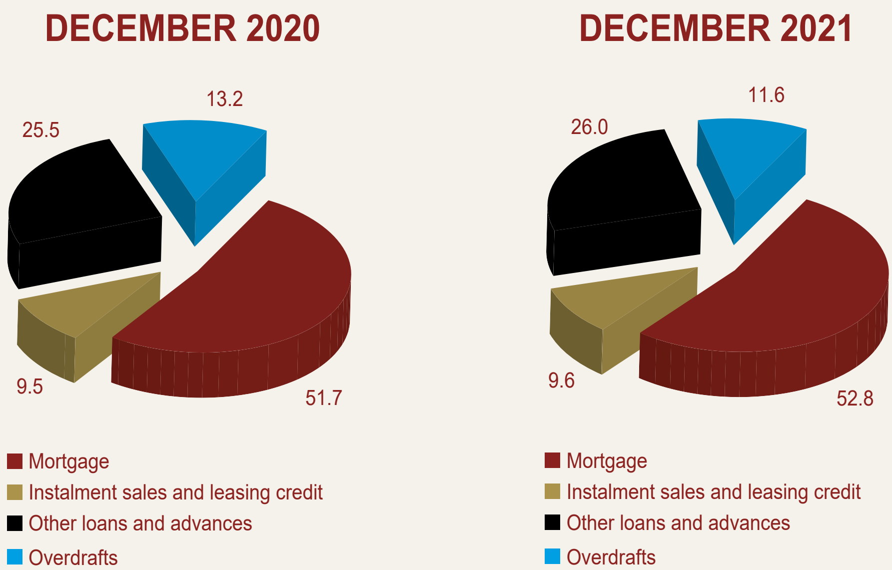
a. Growth in credit extended to individuals slowed notably in 2021.



b. Similarly, growth in total credit extended to corporations inched lower on average in 2021 in comparison to the preceding year.



c. Mortgage loans continued to be the main contributor to total PSCE in 2021, followed by other loans and advances, and overdraft credit.



Credit extended to households slowed on average during 2021, partly due to the pandemic, as household incomes dwindled. The average annual growth in total credit extended to households slowed to 3.2 percent in 2021, from 5.2 percent in 2020 (Figure C.12a). The decline in credit extended to the household sector was reflected in mortgage credit, other loans and advances, and overdraft credit, which recorded average annual growth rates of 4.2 percent, 1.7 percent and 2.9 percent in 2021, compared with 5.1 percent, 14.3 percent and 7.9 percent, respectively, registered in 2020. The decline in the uptake of credit by households probably points to poor domestic economic conditions, which resulted in weak income, also evidenced by high job losses, forcing households to cut down on their uptake of new credit.

Growth in total credit extended to businesses remained low in 2021 in comparison with 2020. The average annual growth in total credit extended to businesses inched lower to 1.2 percent in 2021 from 1.3 percent a year earlier. The category in other loans and advances, declined on an annual basis. Conversely, the category instalment sale and leasing finance entered positive territory during September 2021 for the first time since mid-2017, partly due to the low interest rate environment coupled with the extension of the maximum repayment period on vehicle finance which was introduced late in 2020. During 2021, growth in overdraft credit also rose as the economy opened up and the need for working capital increased, resulting in increased demand for and usage of overdraft credit facilities.

In 2021, mortgage credit continued to account for more than half of the total credit extended to the private sector due to Namibian banks' high exposure to mortgages. Mortgage credit remained the largest contributor to total PSCE, accounting for 52.5 percent of the total, followed by other loans and advances, and overdraft credit in the second and third place, with contributions of 26.0 percent and 11.0 percent, respectively. Instalment sale and leasing credit contributed 9.6 percent over the same period (Figure C.12c). The growth in the share of instalment and leasing credit largely reflects the recent improvement in the demand for vehicles, partly as a result of the low interest environment and the extension of the maximum repayment period which was introduced late in 2020.

Other/non-bank financial corporations

In 2021 the total assets of Other/Non-Bank Financial Corporations (OFCs) rose due to a slightly stronger market performance. The total asset value of OFCs stood at N$217.7 billion at the end of 2021, an increase of 16.0 percent compared to 2020. The increase primarily stemmed from an increase in the market value of investments during the period under review. In terms of absolute size, pension funds continued to dominate the OFC sector, with N$124.2 billion of net equity of households, while N$24.0 billion was net equity of households in life assurance at the end of 2021 (Table C.6).

TABLE C.6 KEY FINANCIAL AGGREGATES

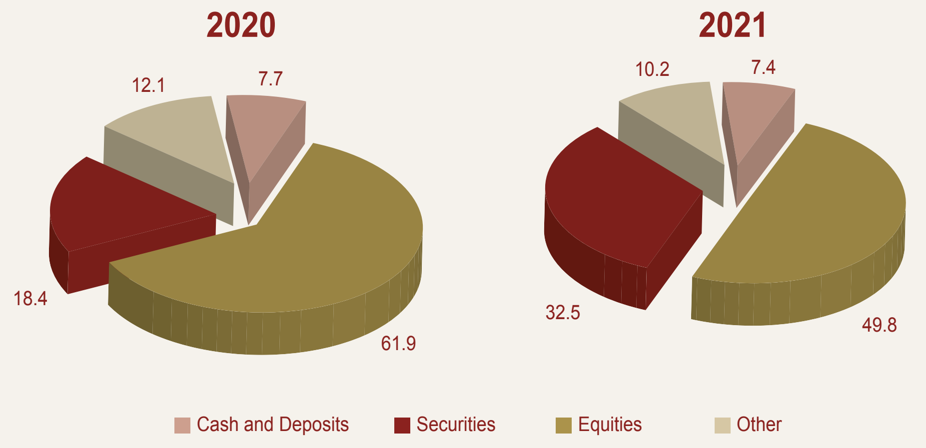
(N$ million, end of period) [18]	2019	2020	2021
1. Central Bank survey			
Central Bank total asset value	37,133	38,656	53,114
Net foreign assets	26,223	28,772	37,060
Claims on other sectors	87	100	114
2. Other depository corporations			
Other depository corporations total asset value	189,149	196,641	200,947
Net foreign assets	11,695	13,035	13,640
Claims on other sectors	110,191	111,140	112,257
of which: households	57,993	60,628	61,827
businesses	45,132	44,941	44,832
3. Depository corporations survey (1+2=3)			
Depository corporations total asset value	226,282	235,297	254,061
Net foreign assets	37,918	41,807	50,700
Net domestic assets	127,622	134,933	143,425
of which: claims on households	58,079	60,728	61,942
claims on businesses	45,132	44,941	44,832
Broad money supply	115,336	124,652	129,944
4. Other financial corporations survey			
Other financial corporations total asset value	188,670	187,763	216,881
Net foreign assets	81,404	79,792	83,888
Claims on other sectors	26,135	23,756	28,263
Insurance technical reserves	137,422	144,022	161,479
5. Financial corporations survey (3+4=5)			
Financial corporations total asset value	414,952	423,060	470,942
Net foreign assets	119,322	121,602	134,587
Net domestic assets	164,183	170,083	191,720
Insurance technical reserves	137,422	144,022	161,479
Net equity of households in life insurance	22,241	21,670	23,957
Net equity of households in pension funds	103,017	109,758	124,218
Prepayments of premiums	12,164	12,594	13,304

The net foreign assets of OFCs rose over the year to the end of 2021. Net foreign assets of OFCs stood at N$83.9 billion at the end 2021, higher than the N$79.8 billion of the depository corporations (Table C.6). This brought the total net foreign assets for the Financial Corporations Survey to N$134.6 billion at the end of 2021, a further indication of the significance of the non-banking financial institutions and of foreign asset holdings in the Namibian financial sector.

18 The values in Table C.6 are as at the end of the period and not year averages, and thus are not comparable to those reflected in Table C.5. This is to ensure comparability with the OFC variables, which are compiled on a quarterly basis.

FIGURE C.13 ASSET HOLDINGS OF NON-BANK FINANCIAL INSTITUTIONS AT 31 DECEMBER

With regards to asset allocation, equities remained the most preferred asset class in which OFC funds were channeled during 2021.



With regard to asset allocation, equities remained the most preferred asset class into which OFC funds were channelled during 2021. Figure C.13 shows that almost two-thirds of OFC funds were placed in equities, which is commensurate with the long-term nature of pension funds. Equities normally provide higher long-term growth despite being highly volatile at times and are therefore a preferred investment instrument for OFCs. Equities were followed by securities with a share of 32.5 percent. This asset class was followed by cash and deposits with a share of 7.4 percent, while the remaining 10.2 percent was classified as other assets.

Banking system liquidity[19]

The cash balances of the Namibian banking industry declined during 2021 in contrast to the preceding year. This measure of liquidity focuses on cash available for settlement, which includes funds on the settlement account at the Bank of Namibia as well as cash on the individual call accounts with the respective banks in South Africa. As such the level of cash holdings of the domestic banking sector averaged N$1.7 billion during 2021, 20.1 percent lower than the average balance of N$2.1 billion recorded in 2020 (Figure C.10c). The lower liquidity levels were mostly observed as from May 2021 throughout to July 2021. As such, the lowest average monthly liquidity position was N$341 million in May 2021, while the highest was N$3.8 billion during the month of November 2021. The low level of liquidity is mostly attributed to sluggish budget execution, higher domestic borrowing activity and increase in outflows to South Africa. Additionally, the lower economic activity level brought about by the COVID-19 pandemic led banking institutions to reduce their cash holdings that is usually intended for credit extension. Banking institutions instead increased their holdings of higher yielding liquid assets such as Treasury bills rather than keeping cash on settlement account where it would yield lower returns. As such, the overall banking industry maintained an average of 18.4 percent liquid assets as a proportion of their outstanding liabilities, significantly higher than the prudential requirement of 10.0 percent.

MONEY MARKET DEVELOPMENTS

The Bank of Namibia kept its policy rate unchanged at its six meetings during 2021, which had the effect of anchoring money market rates in general. The Monetary Policy Committee (MPC) of the Bank of Namibia kept its key policy interest rate unchanged at 3.75 percent over the course of 2021. These decisions to keep the Repo rate unchanged were deemed appropriate to support domestic economic growth, while maintaining the one-to-one peg between the Namibia Dollar and the South African Rand. As a result, the prime lending rate of the commercial banks remained at 7.50 percent throughout 2021. In line with

19 The liquidity position of the Namibian banking system is influenced mainly by Government spending, the level of required reserves, currency in circulation, corporate tax payments, inflows and outflows of funds to South Africa, as well as mineral sale proceeds.

the historically low policy rate and the banks' prime lending rate, the average lending rate remained low, at 6.62 percent at the end of 2021, declining slightly from 6.92 percent at the end of 2020. However, the average deposit rate rose to 4.39 percent at the end of 2021 from 3.29 percent at the end of 2020 (Figure C.10d). Subsequently, the MPC raised the Repo rate by 25 basis points to 4.0 percent during its first meeting in 2022. This was to safeguard the one-to-one link between the Namibia Dollar and the South African Rand, while meeting the country's international financial obligations.

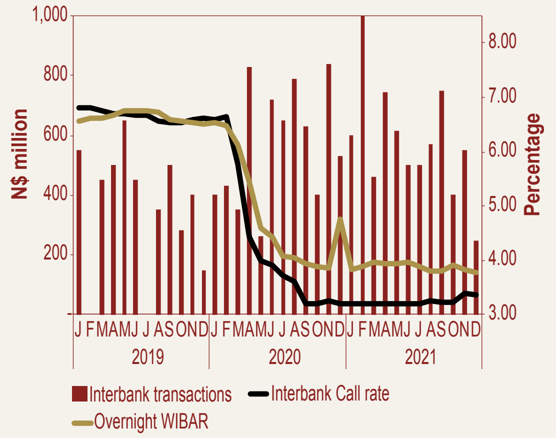
INTERBANK MARKET ACTIVITIES

The value of transactions in the interbank market increased marginally during 2021 in contrast to the preceding year. As indicated in Figure C.14, the value of transactions in the local interbank market amounted to N$6.9 billion during 2021, slightly higher than the total of N$6.8 billion observed during 2020. The highest amounts traded in the interbank market during 2021 were N$1.1 billion and N$750 million in February and September, respectively. On the other hand, the least traded month was October with N$400 million worth of transactions.

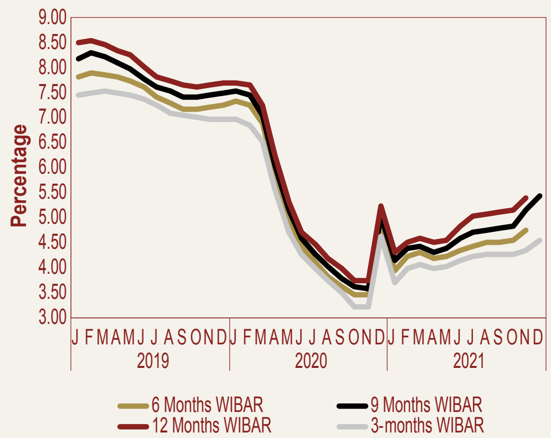
Money market interest rates declined during 2021, as they had in 2020. In this regard, the average interbank market call rate declined from 4.29 percent in 2020 (when it was propped up by higher interest rate levels in the early months of 2020) to an average of 3.24 percent in 2021. Meanwhile, the average overnight Windhoek Interbank Agreed Rate (WIBAR) declined by 97 basis points to 3.88 percent in 2021, while the average 3-month, 6-month, 9-month, and 12-month WIBAR dipped by 62 basis points, 61 basis points, 52 basis points and 46 basis points to 4.14 percent, 4.39 percent, 4.64 percent and 4.88 percent, respectively.

FIGURE C.14 INTERBANK TRADING ACTIVITIES AND THE WIBAR

a. Interbank transactions on balance edged slightly lower during 2021 relative to 2020.



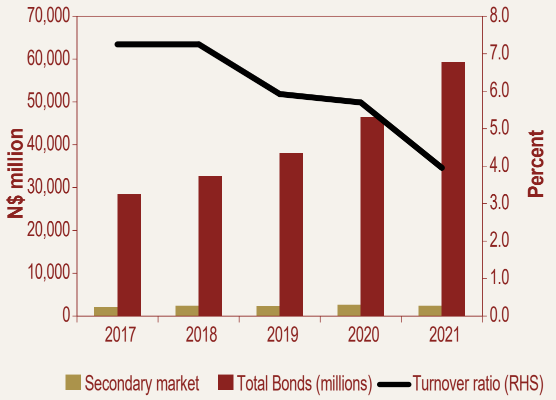
b. Money market rates on average were lower in 2021 than in 2020, but on a monthly basis reached record lows around November 2020 and thereafter ticked higher during 2021.



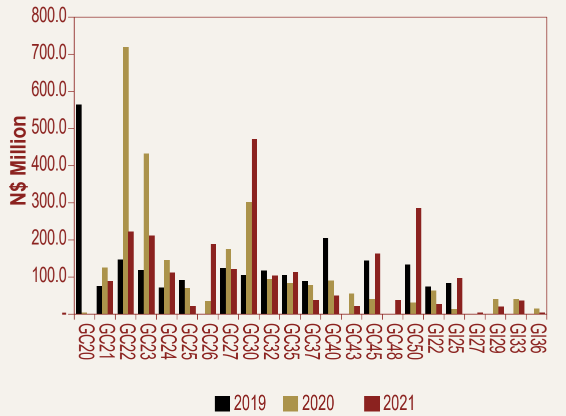
BOND MARKET DEVELOPMENTS

FIGURE C.15 BOND MARKET DEVELOPMENTS

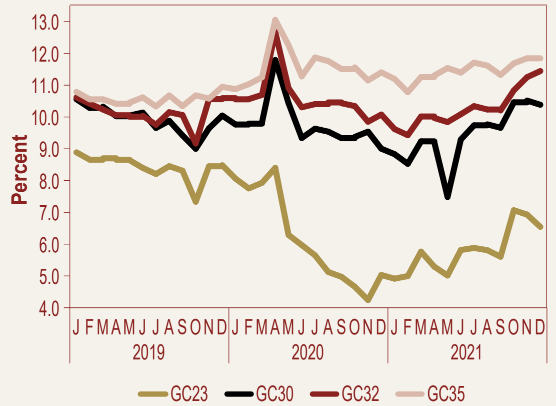
a. The trading of Government bonds in the secondary market remained subdued during 2021.



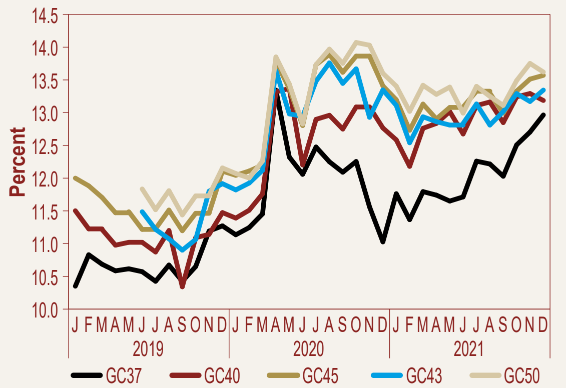
b. The GC30, GC50 and the GC22 were the most traded bonds in 2021.



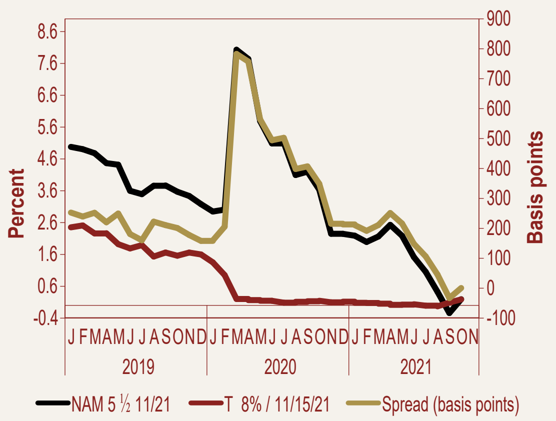
c. Yields on shorter- and medium-term Government bonds ticked higher during the course of 2021.



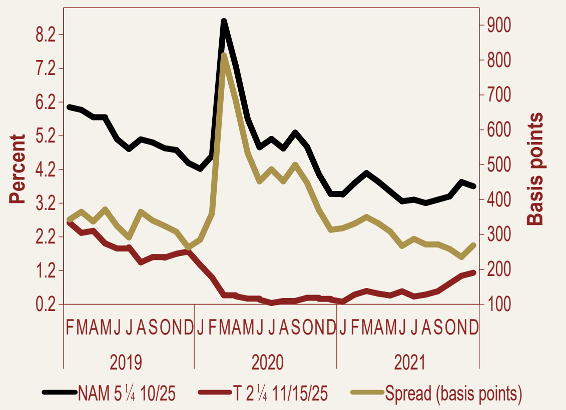
d. On average, yields on the longer-dated Government bonds increased in 2021 relative to 2020.



e. On the other hand, the spread between the Namibian 2021 Eurobond and the US benchmark (T 8% / 11/15/21)[20] declined during 2021.



f. Similarly, the spread between the Namibian 2025 Eurobond and the US benchmark (T 2 ¼ 11/15/25)[21] declined during 2021.



Source: NSX, Bloomberg and JSE

20 US fixed rate (8%) Treasury bond, maturing on 15 November 2021.

21 US fixed rate (2.25%) Treasury bond, maturing on 15 November 2025.

Domestic government bonds

In line with the increased 2021/22 fiscal year financing requirements, the value of outstanding domestic Government bonds increased during 2021. The outstanding amount of domestic Government bonds increased from N$42.1 billion at the end of 2020 to N$60.1 billion by the end of December 2021 (Table C.7). Of this amount, 87 percent were fixed-rate bonds, while the remaining 13 percent were inflation-linked bonds.

TABLE C.7 DOMESTIC GRN BONDS

Bond	Coupon rate (percent)	Coupon Dates	Maturity Date	Outstanding Amount (N$) on 31 December 2021
Fixed Rate Bonds				**52 161 700 000**
GC22	8.75	15 January, 15 July	15-Jan-22	929 620 000
GC23	8.85	15 April, 15 October	15-Oct-23	4 818 990 000
GC24	10.50	15 April, 15 October	15-Oct-24	4 136 960 000
GC25	8.50	15 April, 15 October	15-Apr-25	3 972 990 000
GC26	8.50	15 April, 15 October	15-Apr-26	3 813 790 000
GC27	8.00	15 January, 15 July	15-Jan-27	4 553 290 000
GC30	8.00	15 January, 15 July	15-Jan-30	6 169 720 000
GC32	9.00	15 April, 15 October	15-Apr-32	4 606 850 000
GC35	9.50	15 January, 15 July	15-Jul-35	4 168 420 000
GC37	9.50	15 January, 15 July	15-Jul-37	3 401 400 000
GC40	9.80	15 April, 15 October	15-Oct-40	3 738 560 000
GC43	10.00	15 January, 15 July	15-Jul-43	1 956 910 000
GC45	9.85	15 January, 15 July	15-Jul-45	3 342 880 000
GC48	10.00	15 April, 15 October	15-Oct-48	448 390 000
GC50	10.25	15 January, 15 July	15-Jul-50	2 102 930 000
Inflation Linked Bonds				**7 917 190 000**
GI22	3.55	15 April, 15 October	15-Oct-22	1 970 330 000
GI25	3.80	15 April, 15 October	15-Jul-25	1 962 710 000
GI27	4.00	15 April, 15 October	15-Oct-27	585 860 000
GI29	3.80	15 January, 15 July	15-Jan-29	1 431 850 000
GI33	4.50	15 April, 15 October	15-Apr-33	1 209 430 000
GI36	4.80	15 January, 15 July	15-Jul-36	757 010 000
Total Domestic Bonds				**60 078 890 000**

Secondary market activities

The trading of Government bonds in the secondary market decreased slightly during 2021, in comparison to the previous year. As depicted in Figure C.15a, Government bonds worth N$2.3 billion were traded on the secondary market during the year under review, compared to N$2.6 billion recorded in 2020. The turnover ratio declined to 4.0 percent from the ratio of 5.7 percent in 2020, partly because of accelerated borrowing through the primary auctions, which increased the total value of government bonds in the market. Moreover, the GC30 was the highest traded bond during the year, accounting for 20.0 percent of total trades, followed by the GC50 and GC22 with 12.2 percent and 9.5 percent of the total trades, respectively (Figure C.15b).

Government bond yields

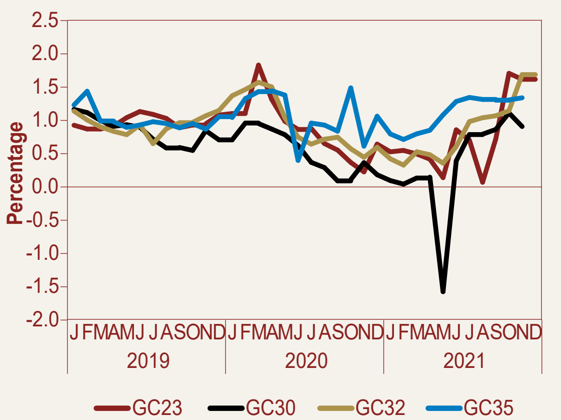
Yields on Government bonds gradually increased during the course of 2021 but dipped temporarily mid-way through the year as fears about a further wave of COVID-19 became rampant. Such fears centred on further lockdowns, renewed stimulus to support economies, and a lengthening of the period before monetary policy would be tightened. The GC30 recorded the biggest yield loss dropping by 172 basis points, followed by the GC23, which recorded a decrease of 28 basis points during May 2021. Conversely, yields on the longer-dated bonds increased during the year under review. In this context, the GC50 and GC45 peaked at yields of 13.8 percent and 13.5 percent, respectively. The yields on the GC35 and GC37 decreased by 17.6 basis points and 4.1 basis points, respectively, whereas the GC40 yield increased on average by 30.7 basis points (Figure C.16). Bond yield movements, especially for longer-dated bonds, reflect the high level of market uncertainty experienced in 2021, which was largely a result of the outbreak of new COVID-19 variants.

Yield spreads

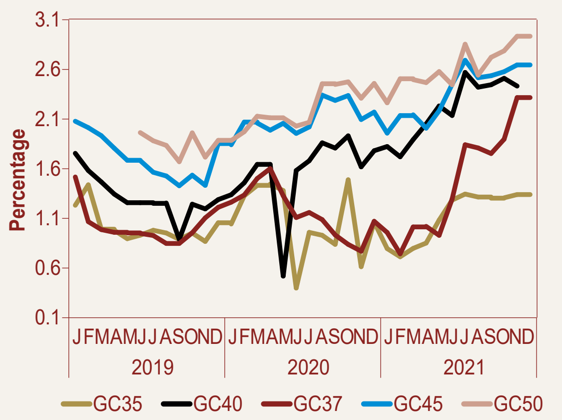
The yield spreads between the Namibian government bonds and the South African bonds widened during the course of 2021. The spread on the GC23, the GC30 and the GC32 against their respective benchmarks declined by 10 basis points, 5 basis points and 31 basis points, respectively, comparing the average yield in 2021 with that in 2020. Meanwhile, spreads on the GC35 and GC37 increased minimally, each by less than 10 basis points. On the longer end of the curve, the GC50 spread increased by about 40 basis points, while the GC45, GC43 and GC40 spreads rose by 59 basis points, 26 basis points and 14 basis points, respectively. Yield spreads on the shorter end of the curve narrowed because of increased demand for the bonds, whereas movements on the longer end of the curve were driven by elevated levels of market uncertainty. However, the trend in yield spreads within the year 2021 was generally upward, reflecting investor views of relative risks.

FIGURE C.16 SPREADS BETWEEN NAMIBIAN GOVERNMENT BONDS AND SOUTH AFRICAN BENCHMARK BONDS

a. On average, yield spreads between the short-to-medium term Namibian Government bonds and their respective South African (SA) benchmarks widened somewhat during the course of 2021.



b. Longer term bonds also recorded increases in the yield spreads against their corresponding SA benchmarks.



Corporate bonds

The value of corporate bonds outstanding dropped at the end of 2021. In this regard, the stock of bonds issued by Namibian corporates listed on both the Namibian Stock Exchange (NSX) and the Johannesburg Stock Exchange (JSE) declined to N$6.2 billion from a total of N$6.7 billion seen in 2020. Of the N$6.2 billion, N$4.3 billion was listed on the NSX, while about N$1.9 billion was listed through issuance on the JSE. The value of corporate bonds declined due to several bonds' maturities and fewer new bond issuances during 2021. Of the total outstanding corporate bonds at the end of 2021, N$5.4 billion were issued by commercial banks and N$606 million by SOEs. Nonetheless, corporate bonds represented only 9.4 percent of the total bonds outstanding in the market at the end of 2021, as the domestic bond market continues to be highly dominated by Government bond issuances.

Namibian Eurobonds

The average yield on the Namibian 2021 Eurobond decreased during 2021 and was successfully redeemed on 3 November 2021. In this context, a total of USD500 million was paid back to investors at maturity, after the Government had successfully raised enough funds to replenish the sinking fund and enable full redemption. The yield on Namibia's 2021 Eurobond averaged 1.4 percent in 2021, plunging from an average of 4.5 percent in 2020, as it moved closer to maturity. Consequently, the spread between the said Eurobond and its US benchmarks also narrowed to 120 basis points during the period under review, from the average of 421 basis points observed in 2020 (Table C.8).

The average yield on the Namibian 2025 Eurobond declined during the period under review. The average yield on the remaining 2025 Eurobond declined by 167 basis points in 2021 from an average yield of 5.2 percent in 2020. The average spread to its US benchmark bond similarly decreased by 180 basis points to 294 basis points from 475 basis points observed in 2020. The narrowing of spreads was partly a normalisation from the extremely wide spreads observed in 2020 when pandemic-induced uncertainty and flight to familiarity dominated bond pricing.

TABLE C.8 EUROBONDS

Bonds	Coupon rate	Coupon Dates	Maturity Date	Outstanding Amount (USD) - 31 December 2021
Eurobond1	5.5	03 May, 03 November	03-Nov-21	500 000 000 (Redeemed in Nov)
Eurobond2	5.25	29 April, 29 October	29-Oct-25	750 000 000
Total				**750 000 000**

Namibia's JSE-listed bonds

Yields on the Namibian JSE-listed bonds declined, mainly influenced by the COVID-19 pandemic and the public unrest during July in South Africa. The changes in the yields were, therefore, in line with those of their respective South African benchmark bonds. In this regard, the yield on the NAM01 and NAM03 declined by 20.0 and 17.8 basis points, to 6.2 percent and 6.7 percent, respectively. The average yield on the NAM04 dropped by 27.1 basis points to an average of 9.2 percent.

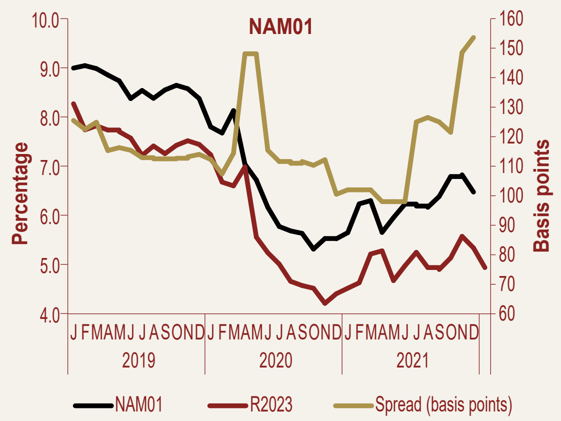
The spreads between the JSE-listed bonds and their respective benchmarks varied during 2021. In this regard, the average spread on the NAM01 remained around 117 basis points, barely changing from 2020 levels. On the NAM03 the spread averaged 159 basis points, slightly up from the average spread of 158 basis points seen in 2020, while the spread on the NAM04 moved slightly down by 1.25 basis points from the average of 176 basis points seen in 2021. The spreads changed marginally as yield on the Namibian bonds and their respective benchmarks moved in tandem, in response to market uncertainty.

TABLE C.9 JSE (ZAR) BONDS

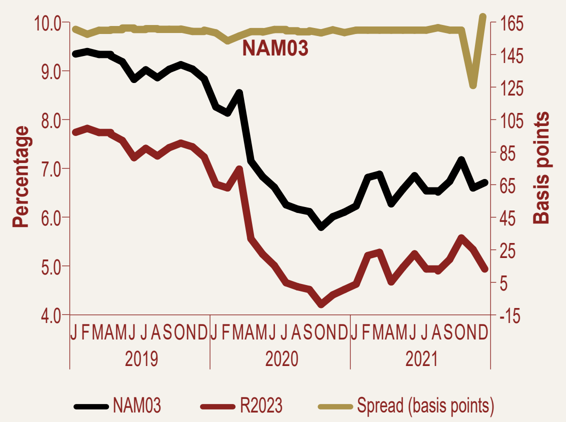
Bonds	Coupon rate	Coupon Dates	Maturity Date	Outstanding Amount (ZAR) - 31 December 2021
JSE (NAM01)	8.26	19 May, 19 November	19-Nov-22	1 560 000 000
JSE (NAM03)	10.06	01 February, 01 August	01-Aug-23	157 000 000
JSE (NAM04)	10.51	01 February, 01 August	01-Aug-26	335 000 000
Total				**2 052 000 000**

FIGURE C.17 JSE BONDS PERFORMANCE

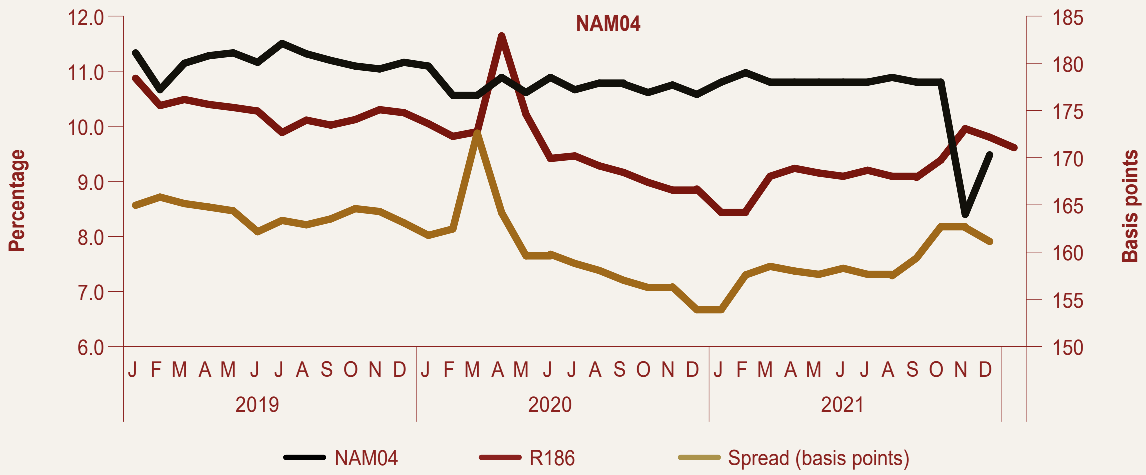
a. The spread between the NAM01 and the R2023 JSE-listed bond spiked in Q3 of 2021 but despite large intra-year movements, recorded an average decrease of only 4 basis points for the year.



b. The average spread between the NAM03 and the R2023 remained flat for most of the year, decreasing marginally by 1 basis point to 157 basis points.



c. The NAM04 recorded a spread decline of 1 basis point against the R186 from 2020 to 2021 based on annual averages.



Source: Bloomberg

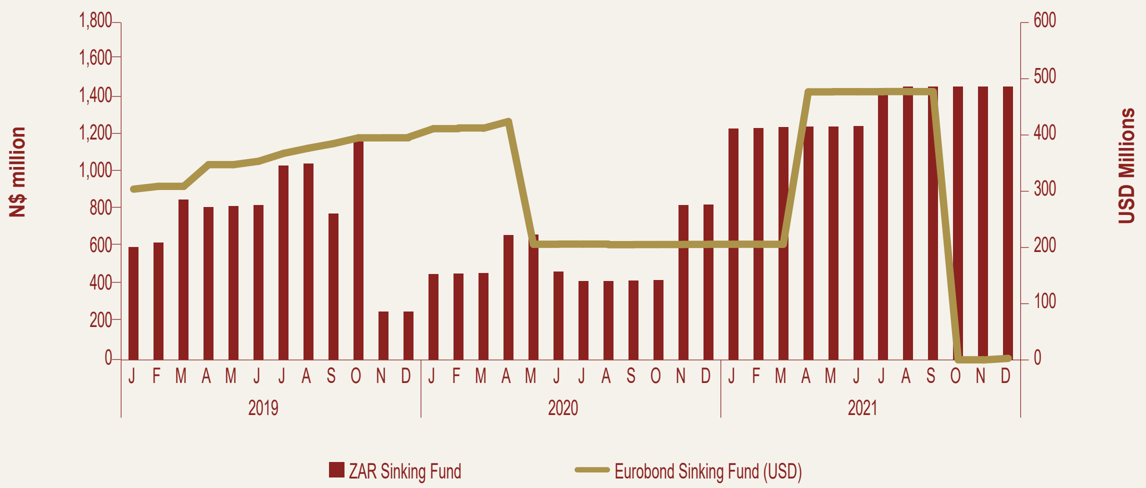
Government sinking funds

The balance on the Internal Registered Stock Account (IRS) improved during 2021. The IRS balance increased as Government was committed to replenish the account as per redemption the strategy put in place the previous fiscal year (Figure C.18). During the period in under review, no withdrawals were made, and the account remained relatively stable. The Government had accumulated a total of N$1.6 billion on the IRS Account by the end of 2021, higher than the balance of N$826 million held on the same account at the end of 2020. Notwithstanding this, the Government was committed to employ sound fiscal strategies, including a sustainable redemption structure of both local and international bonds and ensuring a smooth redemption of maturing bonds.

The balance on the Eurobond sinking fund was used to effect the redemption of the first Eurobond in November 2021. During 2020, the Eurobond sinking fund account declined after the partial liquidation to co-finance the Government's increased budget deficit caused by the COVID-19 stimulus package announced in April 2020. The Eurobond sinking fund balance was restored from April 2021 upon receipt of an IMF loan, in preparation for the 2021 Eurobond redemption. The balance on the account stood at USD500 million by the end of October before dropping to zero on 3 November 2021 when the Eurobond was redeemed. The Government is set to continue with the strategy to build up the fund in preparation for the 2025 Eurobond maturity.

FIGURE C.18 GOVERNMENT SINKING FUNDS

The balance on the IRS Redemption Account increased towards the end of 2021, while the Eurobond sinking fund balanc was used to redem the first Eurobond.



EQUITY MARKET DEVELOPMENTS

TABLE C.10 NSX SUMMARY STATISTICS

Category	2020	2021	Percentage change
Overall			
Index (end of year)	1 232	1 572	27.5
Market capitalisation (N$ million) (end of year)	1 738 143	2 167 587	24.7
Free-float market capitalisation (N$ million) (end of year)	1 052 684	1 813 654	72.3
Volume traded (‘000)	205 732	215 318	4.7
Value traded (N$ million)	9 269	10 278	10.9
Number of deals	5 073	5 701	12.4
Number of new listings (DevX)	0	1	-
Local			
Index (end of year)	456	529	16.0
Market capitalisation (N$ million) (end of year)	27 440	38 040	38.6
Volume traded (‘000)	29 405	31 799	8.1
Value traded (N$’000)	536 099	448 136	-16.4
Number of deals	1 046	1 244	18.9
Number of new listings	0	1	-

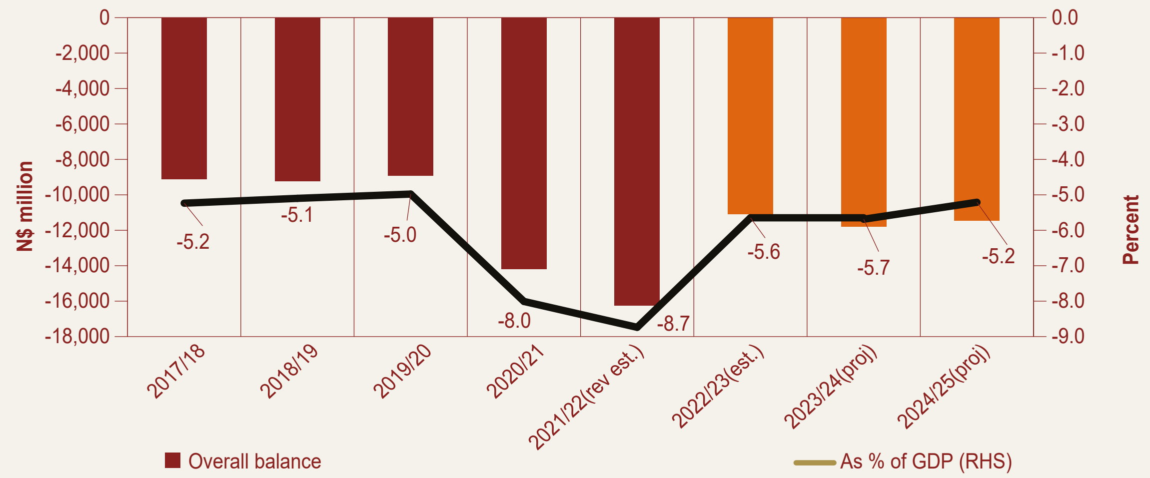
Source: NSX and JSE

The NSX Overall index and the Local index rose notably during 2021 as stock markets globally recovered. The Overall index rose by 27.5 percent to 1 571.65 index points at the end of 2021 (Figure C.10e). The annual increase in the Overall index was driven by increases in all the indices in line with the strong performance of the dual listed shares, coupled with the gradual return to normalcy in the developed world as countries lifted lockdown restrictions and supported financial markets during the period under review. The increase in the Overall index was driven by increases in share prices for most industries, with the exception of basic materials, consumer goods and consumer services. The Local index also increased to close at 529 index points at the end of 2021. This represents an increase 16.0 percent, compared to a year earlier as the local stocks recovered after being hit hard by the COVID-19 pandemic (Table C.10). The market capitalisation of the Overall Index increased over the year to N$2.2 trillion at the end of 2021, compared to N$1.7 trillion at the end of 2020.

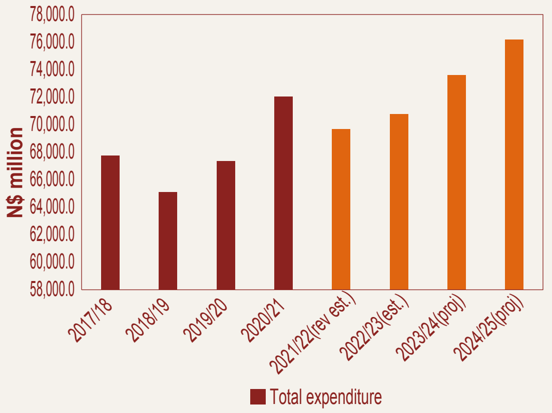
PUBLIC FINANCE

FIGURE C.19 PUBLIC FINANCE

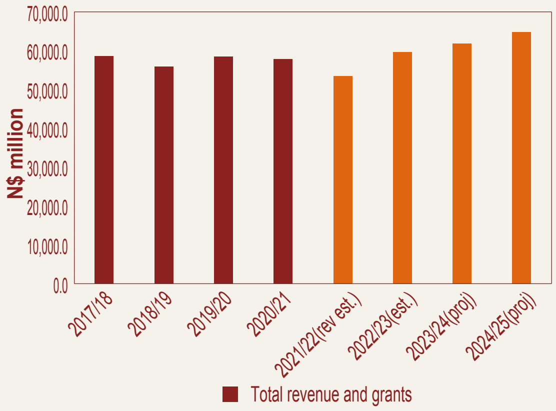
a. The Central Government budget deficit for FY2021/22 widened to 8.7 percent of GDP, compared to the previous fiscal year, largely owing to a decline in SACU receipts.



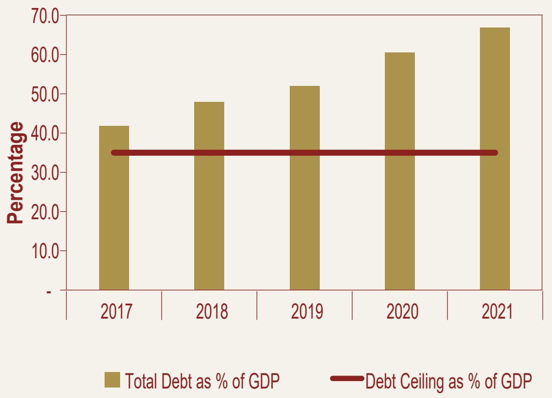
b. Central Government expenditure declined in FY2021/22, but it is projected to rise moderately thereafter over the MTEF period.



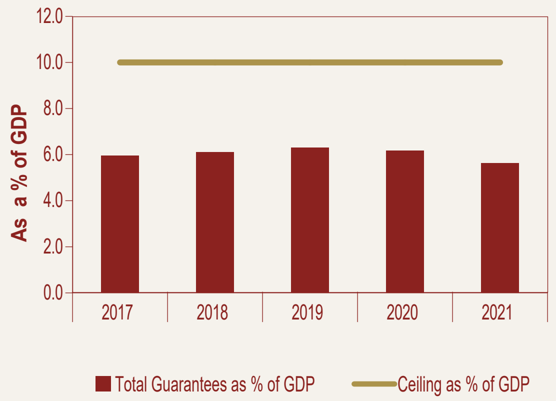
c. Revenue collection declined during FY2021/22 but is projected to recover partly in FY2022/23, despite lower SACU receipts, while it is projected to rise further in the outer years of the MTEF.



d. Total Central Government debt as a ratio of GDP rose further over the year to the end of December 2021, owing to the issuance of Treasury Bills (TBs) and Internal Registered Stock (IRS) as well as the utilisation of loans from the IMF and the AfDB.



e. Central Government loan guarantees declined during the year under review, remaining well below the benchmark.



Source: MoF

Budget balance

TABLE C.11 CENTRAL GOVERNMENT REVENUE AND EXPENDITURE (N$ MILLION)

	2017/18 Actual	2018/19 Actual	2019-20 Actual	2020/21 Actual	2021/22 Mid-year Estimate	2021/22 Revised Estimate	2022/23 Estimate	2023/24 Projection	2024/25 Projection
Revenue	**58,659**	**55,882**	**58,425**	**57,838**	**53,601**	**53,434**	**59,678**	**61,802**	**64,721**
% of GDP	33.7	30.9	32.6	32.5	28.8	28.6	30.2	29.6	29.4
Expenditure	**67,766**	**65,108**	**67,343**	**72,035**	**69,676**	**69,676**	**70,766**	**73,597**	**76,173**
% of GDP	39.0	36.0	37.6	40.4	37.5	37.3	35.8	35.3	34.6
Budget Balance	**-9,107**	**-9,226**	**-8,918**	**-14,197**	**-16,075**	**-16,242**	**-11,088**	**-11,795**	**-11,452**
% of GDP	-5.2	-5.1	-5.0	-8.0	-8.6	-8.7	-5.6	-5.7	-5.2
Debt*	**74,468**	**87,533**	**100,400**	**110,608**	**128,863**	**125,825**	**140,185**	**153,013**	**165,481**
% of GDP	42.8	48.4	56.0	62.1	69.3	67.3	71.0	73.4	75.2
Interest payments	**5,430**	**6,308**	**6,951**	**7,420**	**8,500**	**8,300**	**9,210**	**10,230**	**10,500**
% of Revenue	9.3	11.3	11.9	12.8	15.9	15.5	15.4	16.6	16.2
Guarantees	**11,036**	**10,889**	**11,107**	**11,107**	**10,986**	**11,507**	**12,053**	**12,053**	**17,400**
% of GDP	6.3	6.0	6.2	6.2	5.9	6.2	6.1	5.8	7.9

Source: MoF

Central Government's budget deficit is estimated to have reached its widest level during FY2021/22, but over the MTEF period it is estimated to narrow notably. During the 2022/23 budget statement in February 2022, the Central Government budget deficit for 2021/22 was revised upward slightly to 8.7 percent of GDP, from the 8.6 percent earlier estimate during the November 2021 mid-year budget review. This was mainly owing to a slight downward revision of 0.3 percent in Central Government revenue in the 2022/23 budget, compared to what was estimated in the 2021/22 mid-year budget. When compared to the previous year, the Central Government deficit widened, rising from 8.0 percent of GDP in 2020/21 (Figure C.19a). The widening of the deficit was mainly due to lower SACU receipts in the wake of the COVID-19 pandemic, coupled with a fall in company taxes. In 2022/23, SACU receipts are still expected to be weak but non-tax revenue wll reduce the deficit significantly to 5.6 percent of GDP. From 2023/24 onward deficits are projected, to remain will contained culminating in a shortfall of only 5.2 percent of GDP in FY2024/25 as SACU receipts and tax revenue normalise while the Government maintains disciplined expenditure levels.

Revenue

The Central Government revenue is estimated to have declined during the FY2021/22, compared to the previous fiscal year. Central Government revenue was revised downwards by 0.3 percent to N$53.4 billion for the FY2021/22, during the February 2022 budget statement. When compared to the previous fiscal year, however, Central Government revenue declined by 7.6 percent (Figure C.19c). This is mainly owing to slower economic activity worsened by the COVID-19 pandemic, coupled with lower SACU receipts. In FY2022/23 Central Government revenue is projected to recover notably, boosted by high non-tax revenue. Over the MTEF period, revenue is projected to rise further to reach N$64.7 billion in FY2024/25 (Table C.11), mainly due to normalisation of SACU revenue and improved tax collections, as economic growth gradually picks up momentum.

Expenditure

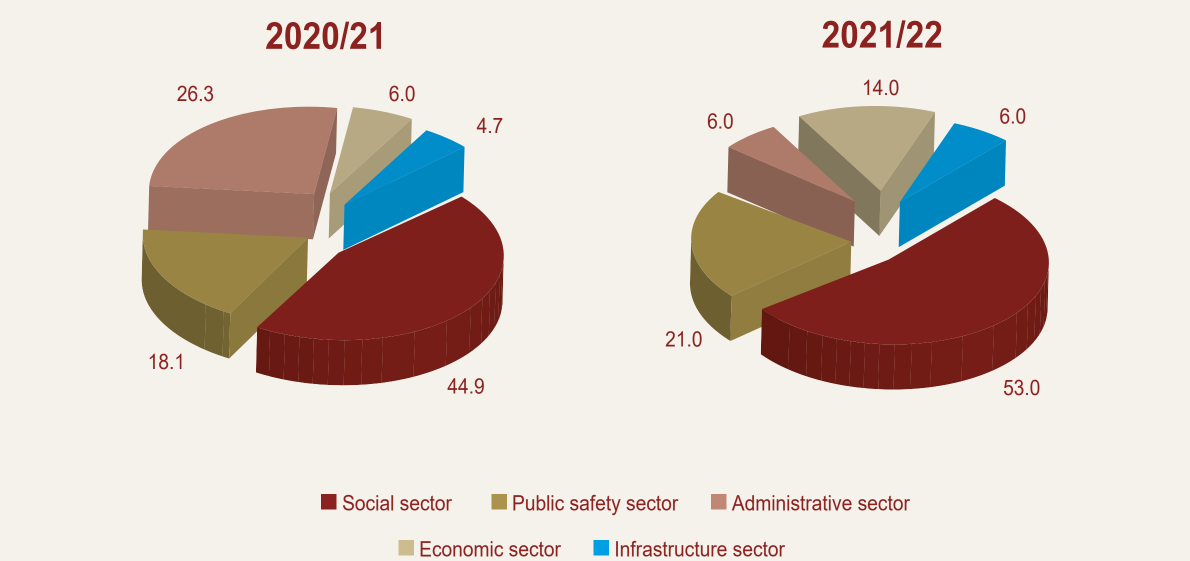
TABLE C.12 CURRENT AND CAPITAL EXPENDITURE (N$ MILLION)

	2017/18	2018/19	2019/20	2020/21	2021/22
Current Expenditure					
Personnel expenditure	29,171	28,927	29,570	29,592	29,630
Expenditure on goods and other services	8,421	6,389	6,653	9,055	8,213
Interest and borrowing related charges	5,430	7,143	6,886	7,291	8,300
Subsidies and other current transfers	18,838	16,774	16,775	19,080	17,984
Total Current Expenditure	**61,860**	**59,233**	**59,883**	**65,018**	**64,126**
Capital Expenditure	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Acquisition of capital goods	4,556	4,142	4,656	4,964	4,193
Capital Transfers	1,025	673	612	2,053	1,356
Total Capital Expenditure	**5,810**	**4,815**	**5,268**	**7,017**	**5,549**

Central Government expenditure is estimated to have declined during FY2021/22 as government resumed its fiscal consolidation program. During the February 2022 budget statement, Central Government expenditure was estimated at N$69.7 billion for the FY2021/22, similar to the estimate in the November 2021 Mid-year budget review. However, when compared to the previous fiscal year, central Government expenditure declined by 3.3 percent, compared to a pandemic-induced record high of N$72.0 billion registered during FY2020/21 (Table C.11). The decline was visible in both current and capital expenditure which contracted by 1.4 percent and 20.9 percent, respectively, to N$64.1 billion and N$5.5 billion during the period under review, compared to the previous fiscal year. This was ascribed to a decline in sub-categories such as expenditure on goods and other services, subsidies and other current transfers, as well as acquisitions of capital goods and services (Table C.12). Meanwhile, personnel expenditure, which is the biggest Government expenditure category, rose slightly by 0.1 percent, amounting to N$29.6 billion during the period under review. The Central Government wage bill continues to be the biggest expenditure item, accounting for 42.5 percent of total expenditure during FY2021/22, compared to 41.1 percent registered during the preceding fiscal year. Central Government expenditure was estimated to rise by 1.6 percent to N$70.8 billion for the FY2022/23, and further to N$76.1 billion in FY2024/25.

FIGURE C.20 BUDGET ALLOCATION BY SECTOR EXCLUDING INTEREST EXPENDITURE (PERCENTAGE)

The social sector continued to take up the highest share of the budgetary allocation during FY2021/22.



The social sector continued to take up the biggest share of the total budget allocation during the period under review. The portion of the total budget allocated to the social sector, which comprises health, education, and poverty eradication and social welfare, accounted for 53.0 percent, during the FY2021/22 (Figure C.20). This was 8.2 percentage points higher than what was allocated during the preceding fiscal year. The increase was mainly to provide extra funds to the health sector to enable the procurements and deployment of the needed health infrastructure, pharmaceuticals, and COVID-19 vaccines. Furthermore, provision was made to cater for sanitation facilities at various government schools across the country, to help improve learners' accommodation, and to address shortfalls of personnel.

The public safety sector, the combined economic and infrastructure sectors, and the administrative sector took up the remaining budget allocation during the period under review. The *public safety* sector received the second highest allocation of the total budget, accounting for a total of 21.0 percent during the year under review (Figure C.20). The allocation was made for investment in the maintenance of law and order, peace and stability, as well as for individual veterans' projects. The combined *economic* and *infrastructure* sectors took up the third largest share of the total budget allocation, accounting for 20.0 percent of the total allocation. This was mainly to cater for the completion of the on-going phase of capital projects with contractual obligations, in the *transport, energy* and *water* sectors as well as to cater for COVID-19 claims on the PSEMAS medical aid schemes. The remaining share was allocated to the *administrative* sector, for land servicing and for the provision of sewage service, electricity, and bulk water supply.

Central government debt

The debt stock of the Central Government rose over the year to the end of December 2021. The total Government debt stock stood at N$123.5 billion at the end of December 2021, representing an increase of 15.6 percent during the year under review (Figure C.19d and Table C.13). The increase was reflected in the issuance of both Treasury Bills (TBs) and Internal Registered Stock (IRS), coupled with the disbursement of an IMF loan and supplemental financing from the African Development Bank (AfDB) to finance the budget deficit. Total debt as a percentage of GDP stood at 67.0 percent at the end of December 2021, representing an increase of 6.3 percentage points. Going forward, it is anticipated that the total debt stock will rise to a high level of 75.2 percent of GDP in 2024/25, in the final year of the MTEF period (Table C.11). While the relentless upward trend in the debt-to-GDP ratio is set to be stemmed at that time, both the present and projected future values of the ratio breach the SADC benchmark of 60 percent of GDP.

TABLE C.13 CENTRAL GOVERNMENT DEBT AS AT 31 DECEMBER

Value (N$ million) / %	2017	2018	2019	2020	2021
Fiscal year GDP	**173,944**	**181,108**	**179,369**	**175,631**	**184,380**
Foreign debt stock	**26,426**	**32,156**	**30,852**	**33,065**	**32,502**
Bilateral	2,879	3,027	2,723	2,804	2,792
As % of total	10.9	9.4	8.8	8.5	8.6
Multilateral	5,164	8,198	7,583	9,942	15,738
As % of total	19.5	25.5	24.6	30.1	48.4
Eurobond	15,491	18,039	17,654	18,277	11,930
As % of total	58.6	56.1	57.2	55.3	36.7
JSE Listed bond	2,892	2,892	2,892	2,042	2,042
As % of total	10.9	9.0	9.4	6.2	6.3
Total debt service	**4,876**	**6,350**	**7,227**	**8,401**	**15,321**
Domestic debt service	3,665	4,156	4,448	4,665	4,435
Foreign debt service	1,952	2,194	2,779	3,736	10,886
Domestic debt stock	**46,337**	**54,492**	**62,300**	**73,773**	**91,037**
Treasury bills	17,937	21,789	24,247	27,330	31,704
As % of total	39	40.0	38.9	37.0	34.8
Internal registered stock	28,400	32,703	38,053	46,443	59,333
As % of total	61.3	60.0	61.1	63.0	65.2
Total Central Government debt	**72,763**	**86,647**	**93,151**	**106,838**	**123,539**
End of Period Exchange rate in terms of N$					
US Dollar	12.3930	14.4309	14.1235	14.6218	15.9065
EUR	14.8063	16.4917	15.8247	17.9716	17.9917
RMB	1.9013	2.0982	2.0247	2.2391	2.4963
CHF	12.6743	14.6520	14.5985	16.5838	17.5747
JPY	0.1100	0.1308	0.1300	0.1418	0.1382
SDR	17.6056	20.0803	19.5313	21.0526	21.7392
KWD	41.0204	47.4078	46.0937	48.1454	50.5194
Proportion of total debt					
Foreign debt stock	36.3	37.1	33.1	30.9	26.3
Domestic debt stock	63.7	62.9	66.9	69.1	73.7
As % of GDP					
Foreign debt stock	15.2	17.8	17.2	18.8	17.6
Domestic debt stock	26.6	30.1	34.7	42.0	49.4
Total debt	**41.8**	**47.9**	**51.9**	**60.8**	**67.0**

Sources: MoF, BoN and NSA

Domestic debt

Total domestic debt rose during the year under review to meet the Government's financing requirements. The Central Government's total domestic debt rose by 23.4 percent to N$91.0 billion at the end of December 2021 (Table C.13). The increase was reflected in both TBs and IRS, mainly on account of increased borrowing to meet the Government's financing requirements. Most of the TBs were allotted to the *banking* sector, while the IRS were mainly allotted to non-banking financial institutions. As a percentage of GDP, domestic debt rose by 7.4 percentage points to 49.4 percent during the year under review.

Foreign debt

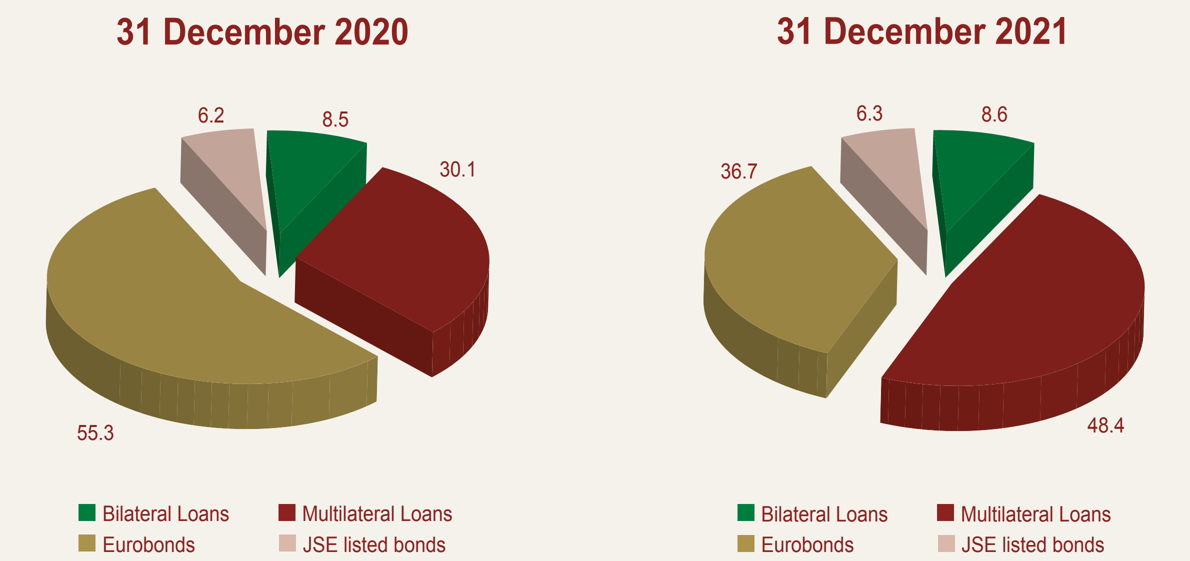
The stock of external debt moved essentially sideways over the year to the end of December 2021, as multilateral loans offset the redemption of one of the Eurobonds. The Central Government's external debt stock remained broadly unchanged at N$32.5 billion at the end December 2021, relative to 2020 (Table C.13). The redemption of one of the Eurobonds on 3 November 2021 was countered by the disbursement of the IMF's RFI loan and the supplementary financing from the AfDB contributed to this development. As a ratio of GDP, external debt declined marginally by 1.1 percentage points to 17.6 percent at the end of December 2021.

Debt Service

Central Government debt service rose during the year under review, compared to the previous year. Total Central Government debt service rose significantly by 82.4 percent, to N$15.3 billion during 2021. This was mainly owing to the redemption of one of the Eurobonds at the value of N$8.0 billion during the year under review, compared to the previous year. Total debt service as a percentage of revenue rose by 14.1 percentage points to 28.7 percent during the year 2021, compared to the previous year.

FIGURE C.21 EXTERNAL DEBT BY TYPE (PERCENT)

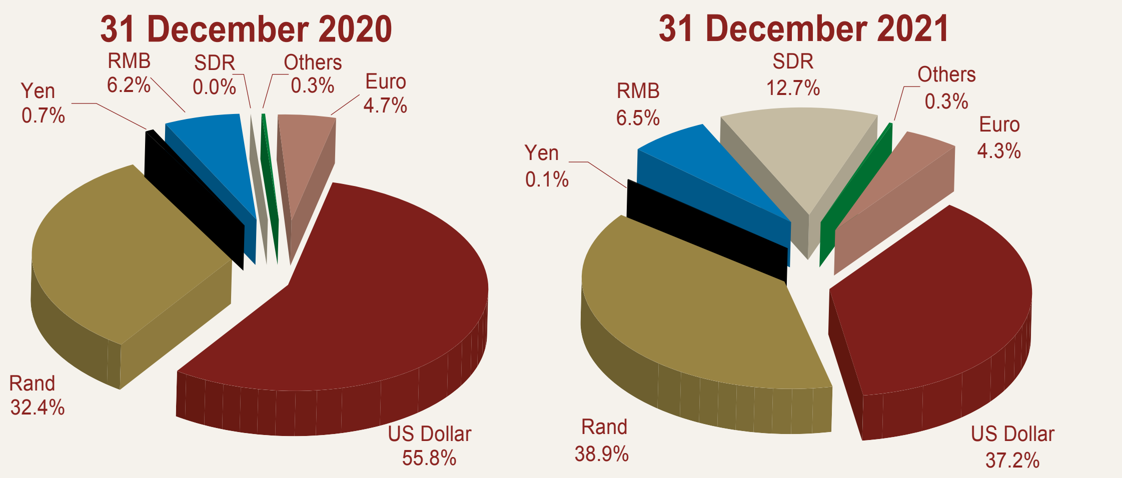
Multilateral loans were the main contributor to the Government's external debt portfolio.



Multilateral loans were the major component of the Government's external debt stock during the period under review, surpassing the Eurobond after the redemption of one of the Eurobonds. At the end of December 2021, the multilateral loans accounted for 48.4 percent of the Government's external debt stock, which is 18.4 percentage points higher than in the previous year. This was mainly due to the disbursement of the supplemental financing from the AfDB during the year under review, as well as the loan from the IMF. In addition, the redemption of one of the Eurobonds on 3 November 2021 led to a reduction in the percentage share of the Eurobonds in the Government's external debt stock portfolio. In that regard, the Eurobond[22] accounted for 36.7 percent of the Government's external debt stock, which was 18.6 percentage points lower than at the same point in 2020 (Figure C.21). Meanwhile, the share of bilateral loans and JSE-listed bonds both declined by 0.1 percentage point to 8.6 percent and 6.3 percent, respectively. This was owing to principal repayments of some bilateral loans, coupled with the redemption of one of the JSE-listed bonds.

FIGURE C.22 EXTERNAL DEBT CURRENCY COMPOSITION (PERCENTAGE SHARE)

At the end of December 2021, the Rand was the major currency in the Government's external debt portfolio, followed by the US Dollar.



Source: MoF

Currency composition

The Rand dominated the Government's total external debt portfolio, surpassing the US Dollar, which used to be the dominant currency in the Government's external debt portfolio. The highest share of the Government's external debt stock was denominated in Rand, with this currency accounting for 38.9 percent of the total external debt at the end of December 2021 (Figure C.22). This represents an increase of 6.5 percentage points compared to the corresponding date in the previous year. Meanwhile, the share of the US Dollar in the Government's total external debt portfolio declined by 18.5 percentage points to 37.2 percent over 2021, mainly owing to the redemption of one of the Eurobonds on 3 November 2021. The SDR, Renminbi (RMB) and Euro constituted the third, fourth and fifth largest share in the Government's external debt portfolio during the year under review, accounting for 12.7 percent, 6.5 percent, and 4.3 percent, respectively.

Central Government loan guarantees

Total Central Government loan guarantees decreased during 2021, compared to 2020, due to repayments made on foreign loans. The Central Government's total loan guarantees declined by 4.2 percent to N$10.4 billion during the year under review (Table C.14). This was mainly due to repayments of foreign loans which were guaranteed by the Government for the *energy, transport* and *communication* sectors, coupled with the repayment of domestic loans for the transport sector. As a percentage of GDP, total Central Government loan guarantees declined by 0.5 percentage point to 5.7 percent during the year under review. At this ratio, total loan guarantees remained below the Government's set ceiling of 10.0 percent of GDP.

22 The Eurobonds are denominated in US Dollars.

TABLE C.14 CENTRAL GOVERNMENT LOAN GUARANTEES

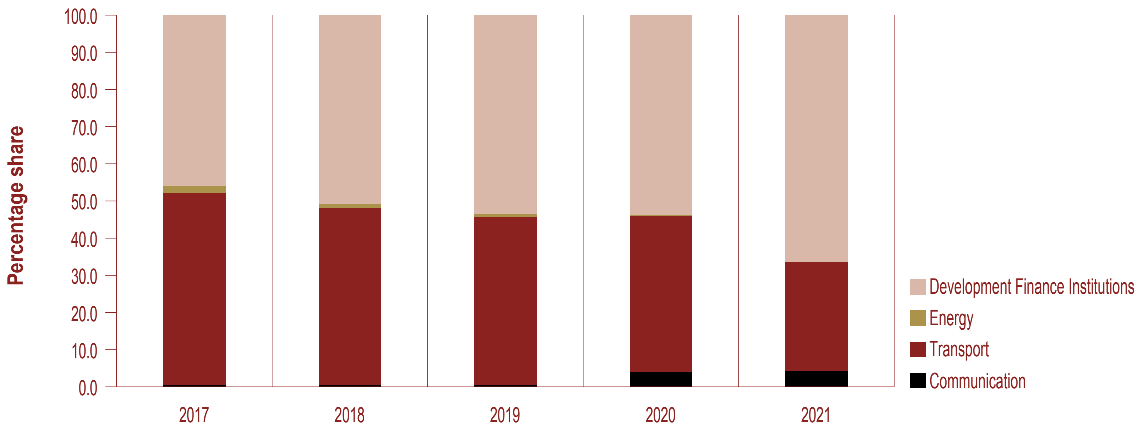
As on 31 December	2017	2018	2019	2020	2021
GDP	**173,944**	**181,108**	**179,396**	**175,631**	**184,380**
Domestic Guarantees (N$ million)	**1,745**	**1,912**	**2,070**	**1,572**	**1,641**
As % of GDP	1.0	1.1	1.2	0.9	0.9
As % of Total Guarantees	16.9	17.3	18.3	14.5	15.7
Foreign Guarantees (N$ million)	**8,595**	**9,129**	**9,237**	**9,303**	**8,780**
As % of GDP	4.9	5.0	5.1	5.3	4.8
As % of Total Guarantees	83.1	82.7	81.7	85.5	84.3
Total Guarantees (N$ million)	**10,340**	**11,040**	**11,307**	**10,876**	**10,421**
As % of GDP	5.9	6.1	6.3	6.2	5.7

Sources: MoF, BoN and NSA

Foreign loan guarantees

Total foreign loan guarantees declined during 2021, compared to the previous year. Total foreign loan guarantees declined by 5.6 percent to N$8.8 billion during the year under review. The decline was mainly ascribed to repayments of some foreign loans that were guaranteed by Government in favour of the *energy* and *transport* sectors. As a percentage of GDP, total foreign loan guarantees declined by 0.5 percentage point to 4.8 percent (Table C.14).

FIGURE C.23 FOREIGN LOAN GUARANTEES BY SECTOR

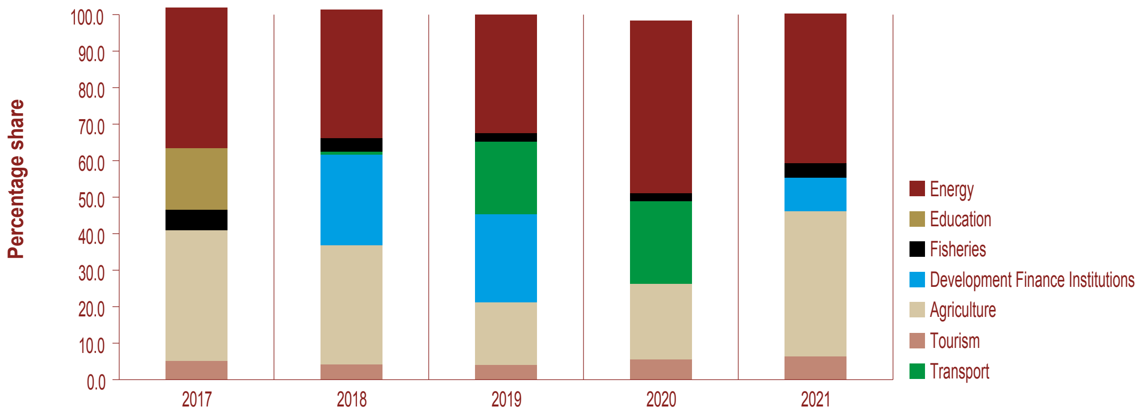


The development finance institutions and the *transport* sector remained the largest contributors to the foreign loan guarantees portfolio during the period under review. The development finance institutions accounted for 66.5 percent of total foreign loan guarantees during the year under review. This represents an increase of 12.8 percentage points relative to the previous year. Meanwhile, foreign loan guarantees in favour of the *transport* sector, which is the second largest with a percentage share of 29.2 percent, declined by 12.7 percentage points compared to the previous year (Figure C.23). This was attributed to more foreign loan guarantees issued to development finance institutions. The *communication* sector took up the remaining 4.3 percent share of total foreign loan guarantees during the period under review.

Domestic loan guarantees

Domestic loan guarantees rose during 2021 compared to the previous year, due to more loans guarantees issued in favour of sectors such as *tourism* and *agriculture*. Total domestic loan guarantees rose by 4.4 percent to N$1.6 billion during 2021 (Table C.14). The rise was primarily driven by more loan guarantees issued to the tourism and agricultural sectors during the year under review. As a percentage of GDP, domestic loan guarantees remained unchanged at 0.9 percent during the period under review.

FIGURE C.24 DOMESTIC LOAN GUARANTEES BY SECTOR



In terms of sectoral distribution, the *energy* sector continued to dominate total domestic loan guarantees during the year under review. Although declining by 6.4 percentage points compared to the previous year, the share of total domestic loan guarantees issued to the energy sector in 2021 stood at 4.9 percent, (Figure C.24). The *agricultural* sector took up the second largest share with 39.8 percent, compared to 20.8 percent registered during the previous year. The rise was due to more loan guarantees issued to this sector, coupled with the repayment of loans that were guaranteed by Government to the *transport* sector. In this regard, the share of the *transport* sector, which previously accounted for the second highest percentage share at about 22.5 percent, declined by 22.4 percentage points to only 0.1 percent. Development finance institutions took up the fourth largest share with 9.1 percent, while the remaining portion of the domestic loan guarantees were issued to the *tourism* and *fishing* sectors, with 6.4 percent and 3.7 percent, respectively.

FOREIGN TRADE AND PAYMENTS[23]

BALANCE OF PAYMENTS OVERVIEW

Financial account inflows enabled the Bank to accumulate foreign reserves during 2021. Namibia's balance of payments on the current account registered a deficit during 2021 amounting to 9.1 percent of GDP compared to a current account surplus of 2.8 percent registered in 2020. On the financial account excluding reserves, net inflows were high but fell short of the current account deficit. Capital transfer receipts bridged the shortfall, while unidentified transaction flows further contributed to Namibia's receipts. As a result, the overall balance of payments before reserve action registered a moderate surplus amounting to N$2.2 billion in 2021 which the Bank of Namibia absorbed from the market and added to its reserves. The reserves were further boosted by N$8.0 billion through liabilities related to the reserves as the authorities incurred an IMF Rapid Financing Instrument (RFI) loan and received a Special Drawing Rights allocation from the IMF. As a result, during 2021 a total of N$10.2 billion was added to Namibia's gross foreign reserves. Adding up all financial flows including those related to reserves, Namibia was a net borrower from the rest of the world to the tune of N$13.8 billion in 2021 (Table C.15).

TABLE C.15 BALANCE OF PAYMENTS OVERVIEW[24] N$ MILLION

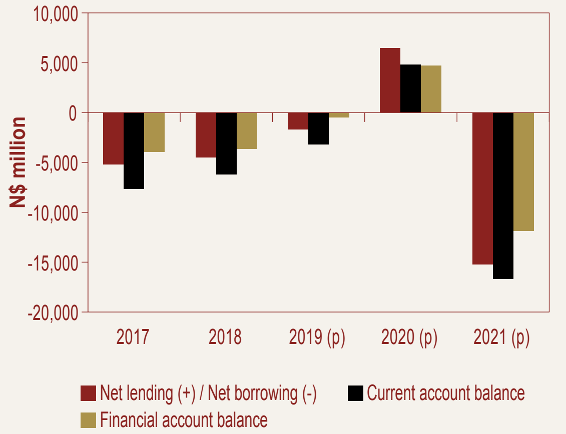
(Inflows +, outflows -) unless otherwise indicated	2020	2021
1. Current account (deficit -, surplus +)	4 893	-16 503
2. Capital transfers (inflow +)	1 658	1 449
3. Financial account excluding reserve action (outflow-, inflow +)	-4 165	15 963
4. Unidentified transactions (outflow-, inflow +)	-1 864	1 275
5= (1+2+3+4) Balance of Payments before reserve action	521	2 185
6. Reserve action: IMF loan and SDR allocation	0	7 973
7= (5+6) Gross reserves (increase +)	521	10 158
8= (3+6-7) Memo: Net Lending (-)/ borrowing (+) incl reserve action	-4 686	13 778

23 p in this section stands for *provisional*.

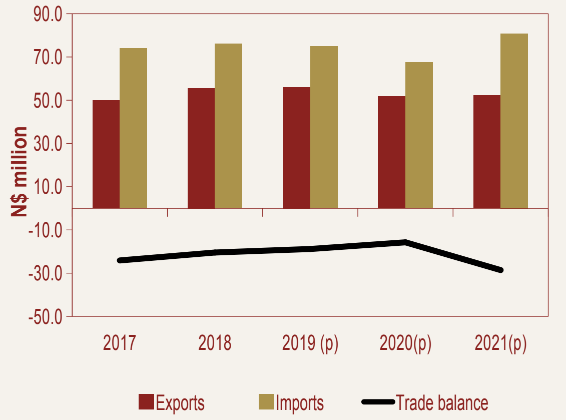
24 The sign convention in this "additive flow" overview table differs from the sign convention in the statistical tables at the back of the Annual Report. Reserve action refers to flows involving liabilities related to reserves, consisting of IMF loans, IMF SDR allocations and other foreign borrowing by the Bank of Namibia.

FIGURE C.25 EXTERNAL DEVELOPMENTS

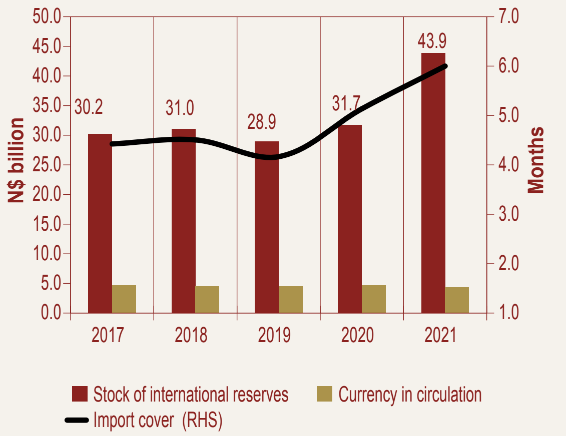
a. During 2021, Namibia recorded net borrowing[25] from the rest of the world, largely reflecting the deficit recorded on the current account.



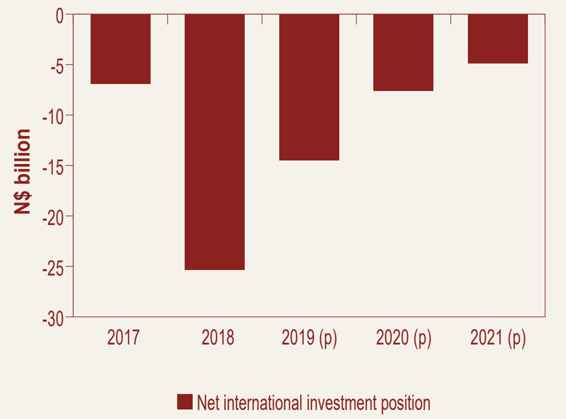
b. Namibia's merchandise trade deficit worsened during 2021, largely due to a significant rise in import payments, while export earnings increased at a slower pace.



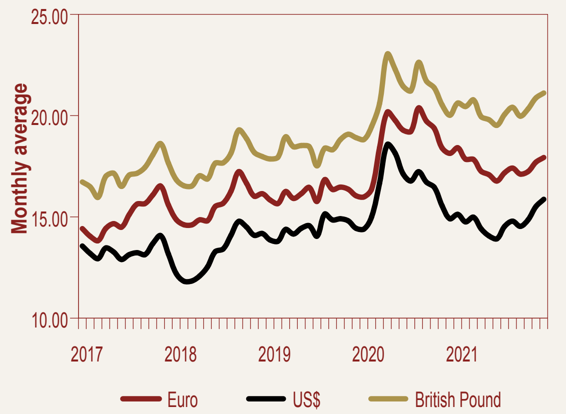
c. At the end of 2021, the stock of foreign reserves rose notably, supported by the IMF SDR allocation, the IMF RFI inflow, and the AfDB loan.



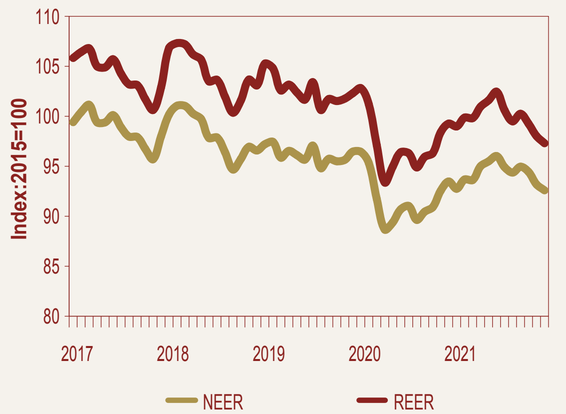
d. Namibia's International Investment Position recorded a lower net liability position in 2021 in comparison to 2020 due to an increase in foreign reserves.



e. On average, the Namibia Dollar appreciated against the major trading currencies during 2021 compared to 2020.



f. Both the Nominal Effective Exchange Rate (NEER) and the Real Effective Exchange Rate (REER) indices of the Namibia Dollar appreciated during 2021, supported by stronger commodity prices and low global interest rates.



25 The sum of the balances on the current and capital accounts represents the net lending (surplus) or net borrowing (deficit) by the Namibian economy with the rest of the world.

TABLE C.16 EXTERNAL VULNERABILITY INDICATORS

N$ million	2017	2018	2019	2020	2021
i. Solvency (percentage)					
Gross external debt/GDP	59.9	66.9	64.3	68.9	71.5
Gross external debt/Exports of Goods and services	172.3	185.3	177.0	206.0	225.9
External debt service/Exports of goods and services	30.7	30.9	39.5	37.2	47.2
Current account/GDP	-4.4	-3.4	-1.7	2.8	-9.1
ii. Reserves Adequacy					
Reserves/Imports of goods and services (months)	4.4	4.5	4.1	5.1	6.4
Reserves/Broad money liabilities (percent)	30.8	29.7	25.1	25.3	33.8
Reserves/Short-term external debt (ratio)	2.4	2.1	2.1	2.5	4.3

Current account

Namibia's current account turned into a deficit during 2021, primarily due to a deterioration of the merchandise trade deficit, as well as a decrease in secondary income inflows. The current account recorded a deficit of N$16.5 billion during 2021, compared to a surplus of N$4.9 billion recorded in 2020 (Figure C.25a). This emanated from a widening merchandise trade deficit that reflected a significant rise in import payments, while export receipts grew at a slower pace. In addition, the surplus on the secondary income account fell, mainly ascribed to lower SACU receipts during 2021. As a result, the current account deficit as a percentage of GDP was 9.1 percent during 2021, from a surplus of 2.8 percent of GDP during the previous year.

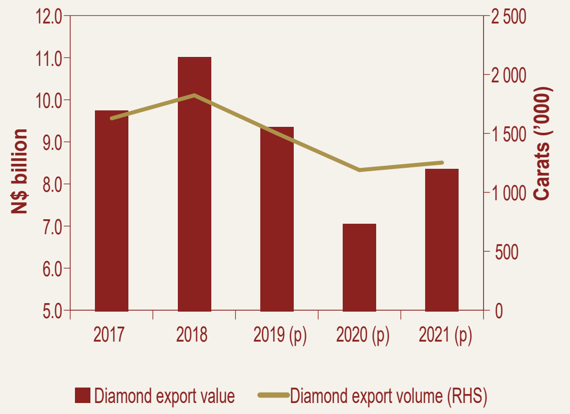
Merchandise trade balance

The merchandise trade deficit worsened during 2021 in comparison with 2020 driven by a significant rise in import payments coupled with slow growth in export receipts. Namibia's trade deficit deteriorated by N$12.7 billion to N$28.4 billion during 2021 (Figure C.25b). The higher merchandise trade deficit resulted from a significant rise in the value of merchandise imports, which rose by 19.9 percent to N$80.9 billion during 2021, reflecting the improved domestic demand, following weak economic activity re-enforced by the COVID-19 pandemic lockdowns and restrictions during 2020. Additionally, the value of merchandise exports rose by only 1.4 percent to N$52.5 billion during 2021 ascribed to higher export earnings from diamonds and food and live animals.

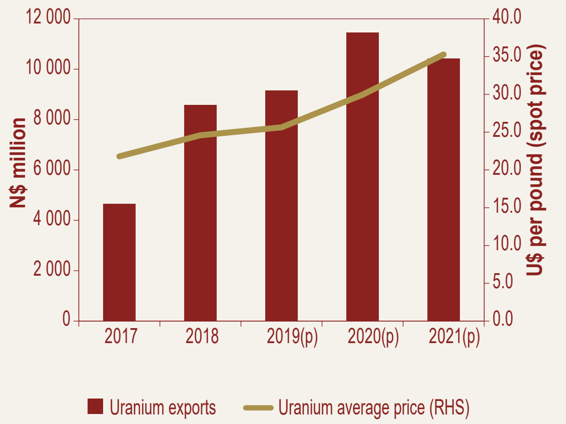
EXPORTS

FIGURE C.26 EXPORT COMMODITIES

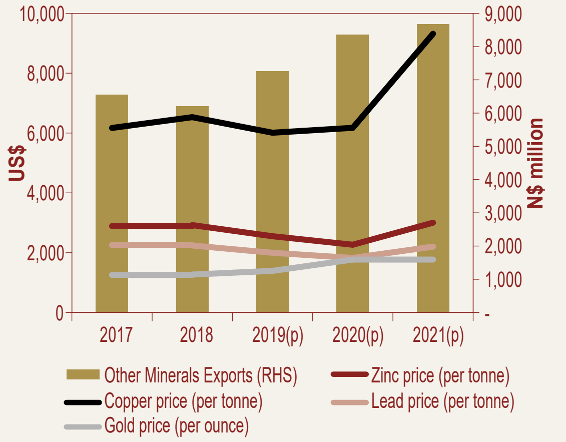
a. Export earnings from rough diamonds rose during 2021, largely due to improved global demand.



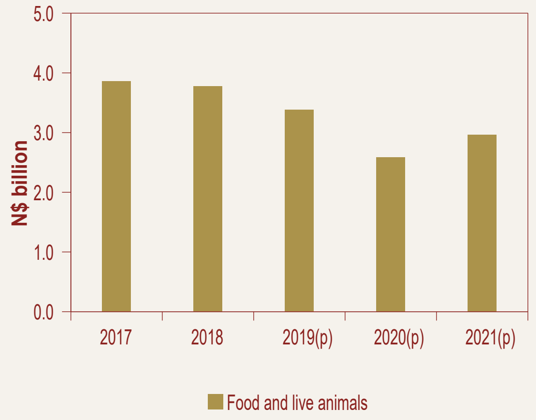
b. Export earnings from uranium fell during 2021, largely attributable to the appreciation of the local currency relative to the US dollar.



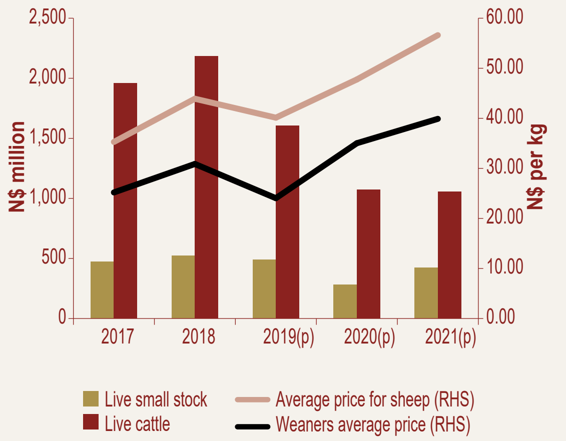
c. Export receipts from other minerals[26] rose slightly, primarily due to higher earnings from zinc concentrate.



d. Export earnings from food and live animals rose on account of higher earnings from unprocessed fish, small stock as well as grapes.



e. The average prices of weaners and sheep rose during 2021, on the back of herd rebuilding.



f. The value of manufactured exports declined in 2021, mainly on account of further reduced earnings from refined zinc and copper cathodes.

Source: BoN surveys

26 This category includes gold, zinc concentrate, copper concentrates, lead, salt, manganese and dimensional stones.

Mineral exports

Rough diamonds

Export earnings from *rough diamonds* rose during 2021, largely due to improved global demand. During 2021, export earnings from rough diamonds rose by 18.4 percent to N$8.4 billion on the back of higher volumes exported (Figure C.26a). The increase in the volumes exported was due to improved global demand for rough diamonds during 2021, particularly from key markets such as China and the United States. Furthermore, the higher average rough diamond prices realised during 2021 also contributed to the rise in rough diamond earnings.

Uranium

Foreign earnings from *uranium* fell during 2021, largely due to the appreciation of the local currency relative to the US dollar. Export earnings from uranium fell by 9.0 percent to N$10.4 billion during 2021 (Figure C.26b). This was mainly attributable to the appreciation of the local currency relative to the US dollar during 2021 compared to 2020. On the spot market, the average international price of uranium increased by 17.7 percent to US$35.28 per pound. The higher prices of uranium were primarily due to uranium supply constraints, underpinned by the pandemic-related production disruptions. In addition, the Canadian-based Sprott Physical Uranium Trust[27] contributed to the increase in international uranium prices as it embarked on a uranium buying binge in the spot market during 2021.

Other mineral exports

Export earnings from the *other minerals* category rose, primarily due to higher earnings from zinc concentrate. Export earnings from *other minerals* rose by 3.8 percent to N$8.7 billion during 2021 (Figure C.26c). The increase was mainly reflected in higher earnings from zinc concentrates, which rose by 33.1 percent to N$1.0 billion during 2021, largely supported by higher international zinc prices recorded during 2021 relative to 2020. In this regard, international zinc prices rose by 32.5 percent to U$3 003 per metric ton. The rise in the international prices of zinc was primarily attributed to the global recovery in 2021. On the contrary, gold export earnings fell slightly by 0.6 percent during 2021, on the back of the appreciation of the local currency.

Non-mineral exports

Food and live animals

During 2021, export earnings from *food* and *live animals* rose on account of higher earnings from unprocessed fish, small stock as well as grapes. Foreign earnings from food and live animals rose by 14.7 percent to N$3.0 billion in 2021 when compared to the previous year (Figure C.26d). This was mainly reflected in higher receipts from unprocessed fish which rose by N$105 million to N$250 million during 2021. In addition, exports earnings from live small stock exported to South Africa rose by N$142 million to N$423 million during 2021, which was mainly attributed to higher sheep prices during the period under review. Similarly, export earnings from grapes rose by 11.3 percent to N$930 million during 2021, on the back of higher volumes exported during the review period.

The average prices of weaners and sheep increased during 2021. During 2021, average prices of weaners and sheep increased by 13.9 percent and 18.5 percent to N$39.89 per kilogram and N$56.61 per kilogram, respectively, when compared to 2020 (Figure C.26e). The increases in weaner and sheep prices were largely due to limited supply as farmers continued to rebuild their herds following the devastating in drought 2019.

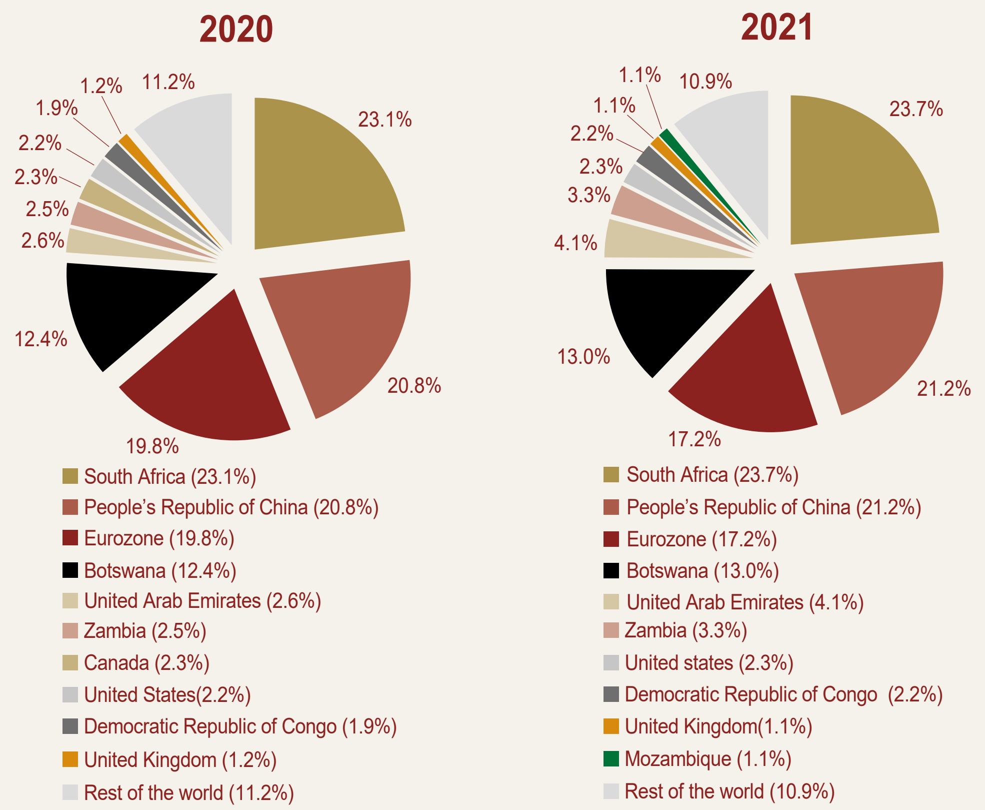
27 Sprott Physical Uranium Trust is the only fund that holds the physical commodity rather than futures contracts.

Manufactured exports

The value of manufactured exports declined in 2021, mainly on account of reduced earnings from refined zinc and copper cathodes. During 2021, the value of manufactured exports decreased by 2.7 percent to N$19.0 billion (Figure C.26f). The decline was mainly underpinned by decreases in receipts from refined zinc and copper cathodes. The fall in export earnings from both *refined zinc and copper cathodes* was due to a halt in production, as the mines remained under care and maintenance during 2021.

FIGURE C.27A EXPORTS BY DESTINATION

In 2021, South Africa was the leading destination for Namibia's merchandise exports, followed by China and Eurozone.



Source: NSA

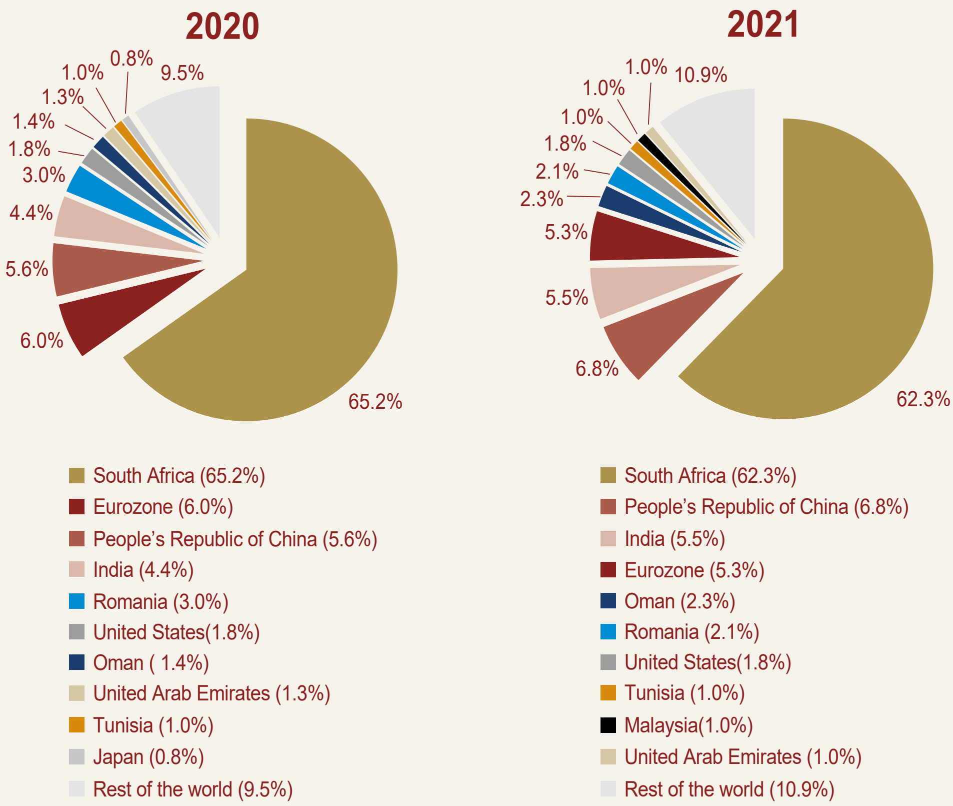
During 2021, South Africa remained the leading destination for Namibia's merchandise exports, followed by China and Eurozone. South Africa absorbed 23.7 percent of Namibia's total exports, mainly consisting of live animals and beverages. Relative to 2020, China's share increased to 21.2 percent, mainly due to higher export values for zinc concentrate. The Eurozone absorbed 17.2 percent of Namibia's total exports, mainly consisting of fish. Other major export destinations were Botswana, with a share of 13.0 percent, mainly in the form of rough diamonds, and the United Arab Emirates, with a share of 4.1 percent. Zambia accounted for 3.3 percent, while the Democratic Republic of Congo, United States and Mozambique absorbed 2.2 percent, 2.3 percent 1.1 percent and 1.1 percent of Namibia's exports, respectively (Figure C.27A).

IMPORT OF GOODS

The value of merchandise imports rose during 2021, as reflected in increases across all major categories of merchandise imports. Expenditure on merchandise imports rose by 19.9 percent to N$80.9 billion in 2021, when compared to 2020. The increase in the value of imports reflected increments in major import categories such as *mineral fuels, consumer goods, machinery and mechanical appliances, vehicles* *and vessels* as well as *base metals*. The higher import payments reflect an improved domestic demand for foreign goods, following eased restrictions on COVID-19 pandemic during 2021 relative to 2020. The progress payments made on the new diamond recovery vessel also contributed to the higher import bill during 2021.

FIGURE C.27B IMPORTS BY ORIGIN

Namibia's imports were largely sourced from South Africa, China, India and the Eurozone during 2021.



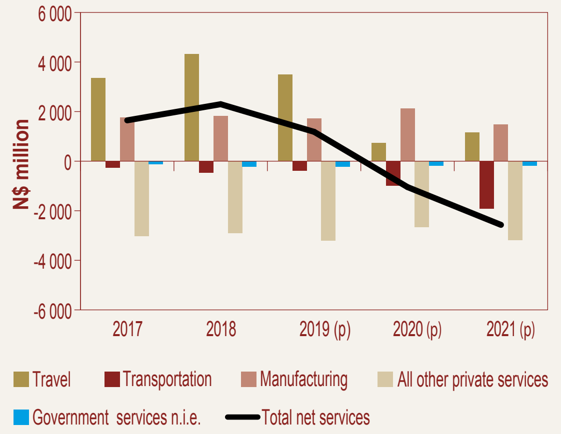
Source: NSA

South Africa continued to be Namibia's main source of merchandise imports during 2021, followed by China, India and the Eurozone. The bulk of Namibia's merchandise imports were sourced from South Africa, with the share decreasing to 62.3 percent of total imports, in the form of consumer goods and *mineral fuels* (Figure C.27B). The decline in South Africa's share from 65.2 percent in 2020 was mainly supported by increases in the shares of China and India on the back of increased imports of pharmaceutical products during 2021. China ranked second with a 6.8 percent share of the merchandise imports, consisting mainly of *mineral fuels and machinery* and *pharmaceutical* products. India ranked third and accounted for 5.5 percent of the merchandise imports largely comprising of *mineral fuels* and *pharmaceutical* products. A reduction was recorded in the Eurozone's share, which fell to fourth position with 5.3 percent of total imports, in the form of machinery. Other major sources of imports were Oman (2.3 percent), the United States (1.8 percent), Tunisia, Malaysia and the United Arab Emirates each with a share of 1.0 percent.

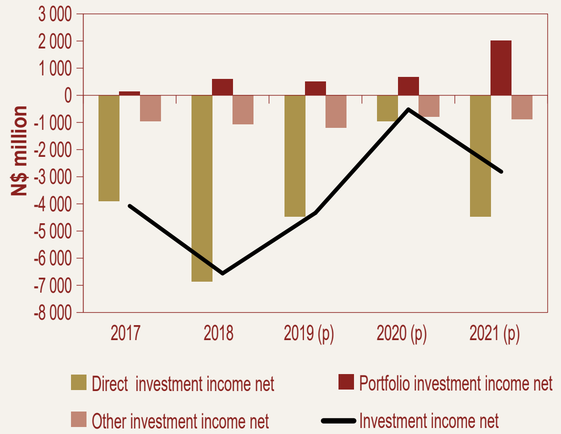
SERVICES, INVESTMENT INCOME AND CURRENT TRANSFERS

FIGURE C.28 SERVICES, PRIMARY AND SECONDARY INCOME

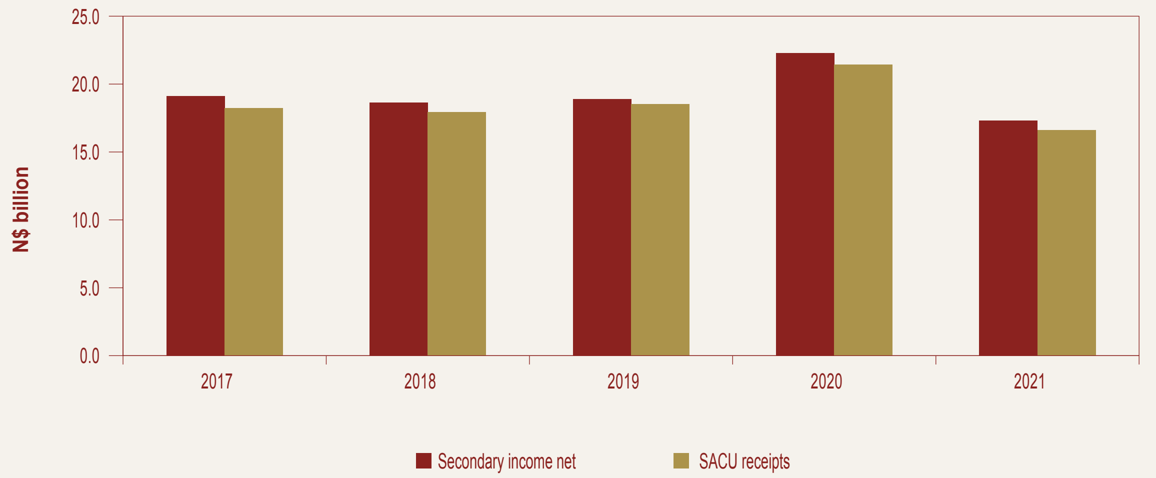
a. The services account registered higher net outflows during 2021, mainly due to higher payments for transportation and other private services.



b. Net outflows on the primary income account increased, mainly supported by higher net investment income outflows.



c. Namibia's net secondary income receipts decreased during 2021 compared to 2020, largely as a result of lower SACU receipts.



Source: Various companies and BoN surveys

Services balance

The services account registered a higher net outflow during 2021, mainly due to higher payments for transportation and other private services. The net services balance recorded a higher net outflow of N$2.6 billion in 2021, compared to an inflow of N$1.0 billion in 2020 (Figure C.28a). The increased outflows were largely attributed to higher payments for transportation services, particularly freight payments which rose in line with merchandise imports. Moreover, increased payments by the government to settle the outstanding amounts and to terminate the lease agreements for Air Namibia aircraft also contributed to higher payments for other private services. On a positive note, inflows from travel services rose by 57.2 percent to N$1.2 billion, reflecting an increase in travel by non-residents resulting from eased restrictions in 2021 relative to 2020.

Net primary income

Net outflows on the primary income account rose during 2021, mainly supported by increased net investment income outflows. Net outflows on the primary income account rose by N$2.2 billion to N$3.0 billion during 2021 (Figure C.28b). The higher outflows were mainly underpinned by an increase in investment income payments to foreign direct investors, particularly in the form of dividend payments as foreign-owned companies declared relatively higher dividends than they had in 2020.

Net secondary income

Namibia's net secondary income receipts decreased during 2021 compared to 2020, largely due to lower SACU receipts. Inflows on the secondary income account fell by 22.2 percent to N$17.4 billion during 2021 (Figure C.28c). This was mainly due to lower SACU receipts which decreased by 22.4 percent to N$16.6 billion during the year under review.

CAPITAL ACCOUNT

Namibia's capital account surplus decreased during 2021, largely due to lower capital transfers from non-residents. The capital account surplus narrowed from the 2020 level by 12.6 percent to N$1.4 billion. The lower inflows reflected the decrease in capital transfers from foreign governments and private institutions.

Net lending and net borrowing

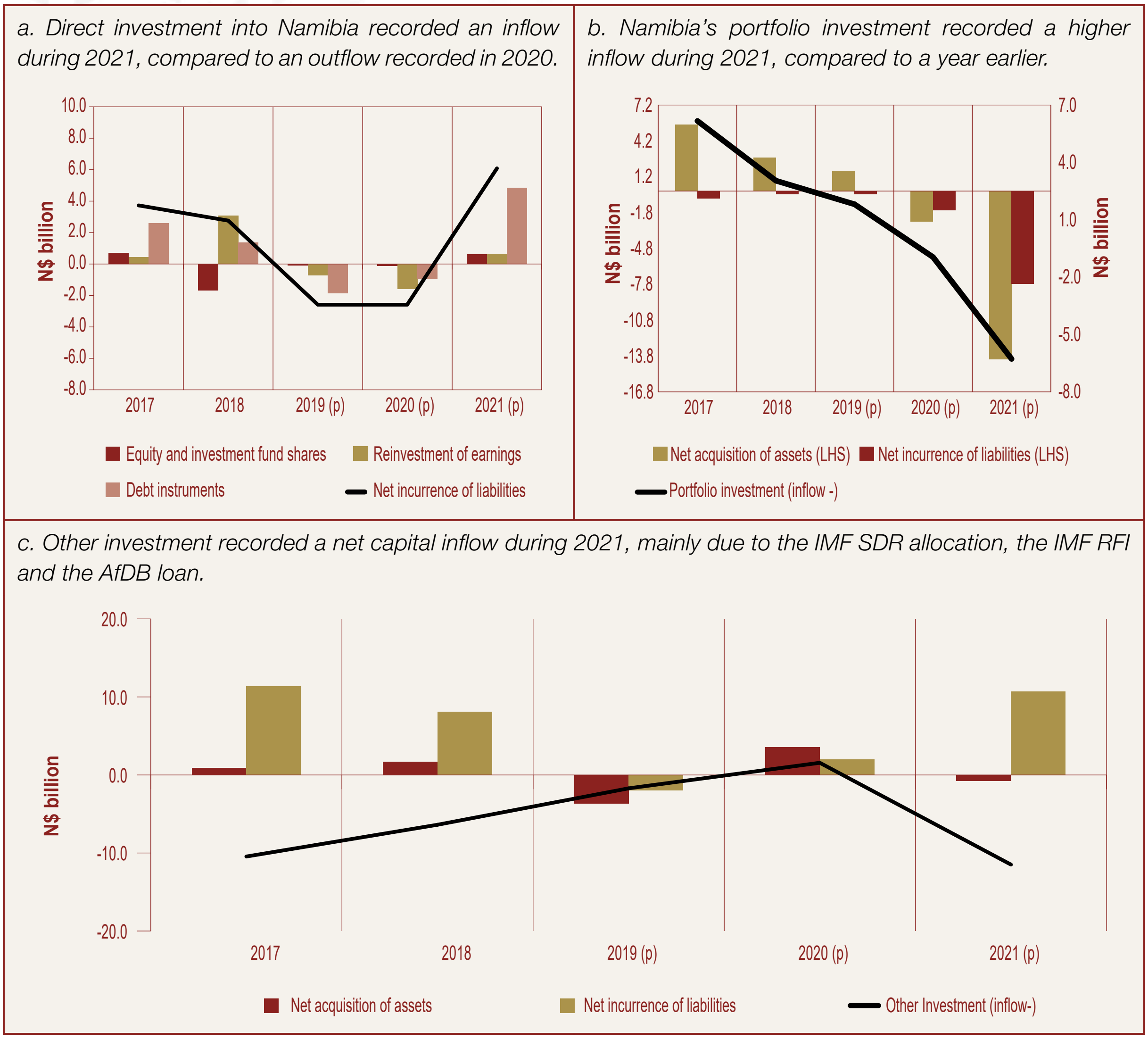
Given the developments on the current account during 2021, Namibia registered net borrowing from the rest of the world. The country recorded net borrowing from the rest of the world of N$15.1 billion during 2021, compared to net lending to the rest of the world of N$6.6 billion recorded in the previous year. The rise in the economy's net lending mainly resulted from the deficit recorded on the current account.

FINANCIAL ACCOUNT

The financial account balance[28] recorded net borrowing from the rest of the world during 2021 when compared to net lending registered during 2020. Namibia's financial account balance registered net borrowing of N$13.8 billion from the rest of the world during 2021 compared to net lending of N$4.7 billion recorded during 2020. This was mainly on account of inflows observed in all functional categories. As a percentage of GDP, the net financial account inflow for 2021 was 7.6 percent, from a net outflow of 2.7 percent reported a year earlier in line with the current account developments.

28 In BPM6, the interpretation of the financial account particularly on the assets, denotes an increase as positive and a decrease as negative. The interpretation on the liabilities remains unchanged from BPM5 where an increase or decrease implies just that. Furthermore, the net balances are interpreted in terms of net lending (if positive (denoting outflows)) or net borrowing (if negative (inflows)). The Financial account balance is now presented inclusive of reserve assets according to BPM6, which implies that the financing of the net lending/borrowing position (current account) is fully accounted for above the line (i.e. above the financial account balance).

FIGURE C.29 FINANCIAL ACCOUNT COMPONENTS



a. Direct investment into Namibia recorded an inflow during 2021, compared to an outflow recorded in 2020.

b. Namibia's portfolio investment recorded a higher inflow during 2021, compared to a year earlier.

c. Other investment recorded a net capital inflow during 2021, mainly due to the IMF SDR allocation, the IMF RFI and the AfDB loan.

Source: BON surveys

Direct investment

Namibia's direct investment liabilities recorded an inflow during 2021 compared to 2020, mainly due to an uptake of debt by corporates in the mining sector. Direct investment into Namibia was N$6.1 billion during 2021 compared to an outflow of N$2.6 billion registered a year earlier (Figure C.29a). The capital inflows were supported by the uptake of debt by corporates in the mining sector. Moreover, profits retained by foreign direct investment enterprises in the mining and financial services sectors also contributed to capital inflows observed in direct investment liabilities.

Portfolio investment

Namibia's portfolio investment registered a higher net capital inflow during 2021 compared to 2020 due to higher net sales of foreign equity and debt securities. During 2021, Namibia's portfolio investment registered a net inflow of N$6.3 billion compared to an inflow of N$954 million recorded during the previous year (Figure C.29b). The net inflow registered during the review period was mainly driven by resident institutional investors' net selling of foreign equity and debt securities, in line with the domestic asset requirement. During the review period, a Eurobond worth N$7.7 billion (USD 500 million) was redeemed, which in turn partly offset the higher net capital inflow.

Other investment

On a net basis, other investment registered a higher capital inflow during 2021, chiefly due to the IMF's RFI loan, the IMF SDR allocation, and the AfDB loan. During 2021, other investment recorded a net capital inflow of N$11.5 billion compared to a net capital outflow of N$1.6 billion recorded during the previous year (Figure C.29c). The capital inflow was supported by the IMFs SDR allocation, the AfDB loan and the IMF's RFI loan that were aimed at mitigating the impact of the COVID-19 pandemic on the domestic economy as well as the uptake of foreign loans by corporates in the mining sector from non affiliated creditors.

INTERNATIONAL RESERVES

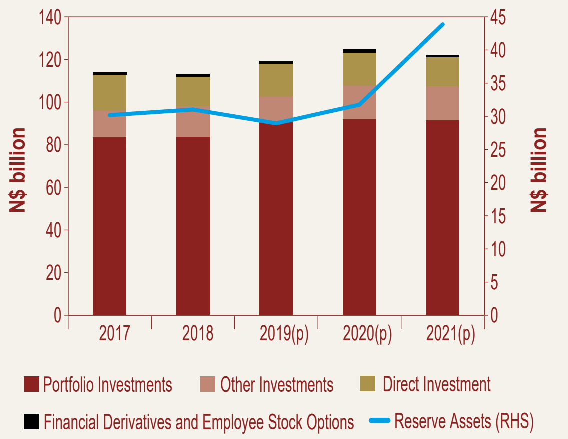
At the end of 2021, the stock of international reserves held by the Bank of Namibia increased on an annual basis, supported by the IMF's SDR allocation, the IMF RFI, and AfDB loan. The stock of international reserves rose on an annual basis by 38.2 percent to N$43.9 billion at the end of 2021, despite the redemption of the Eurobond on 3 November 2021. The annual rise was mainly due to foreign borrowings by the government in the form of the IMF RFI and the AfDB loan, coupled with the IMF SDR allocation. The stock of international reserves was 9.3 times the amount of currency in circulation and remained sufficient to readily sustain the currency peg between the Namibia Dollar and the South African Rand. The import cover of goods and services stood at 6.4 months compared to 5.1 months import coverage reported during 2020, remaining well above the international benchmark of 3 months.

International investment position

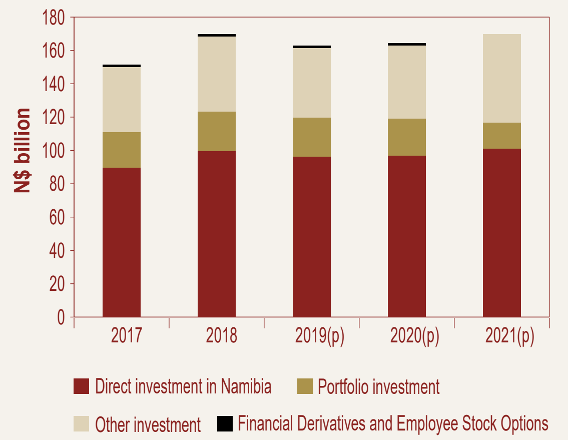
At the end of 2021, Namibia's external balance sheet recorded a lower net liability position in comparison with 2020 due to an increase in foreign assets. Namibia registered a net liability position of N$4.9 billion, decreasing from N$7.6 billion recorded a year earlier, on the back of foreign assets that rose due to higher foreign reserve assets.

FIGURE C.30 INTERNATIONAL INVESTMENT POSITION – FOREIGN ASSETS AND LIABILITIES

a. The value of Namibia's foreign assets increased over the year to the end of 2021, mainly due to a rise in reserve assets as well as well as other investment.



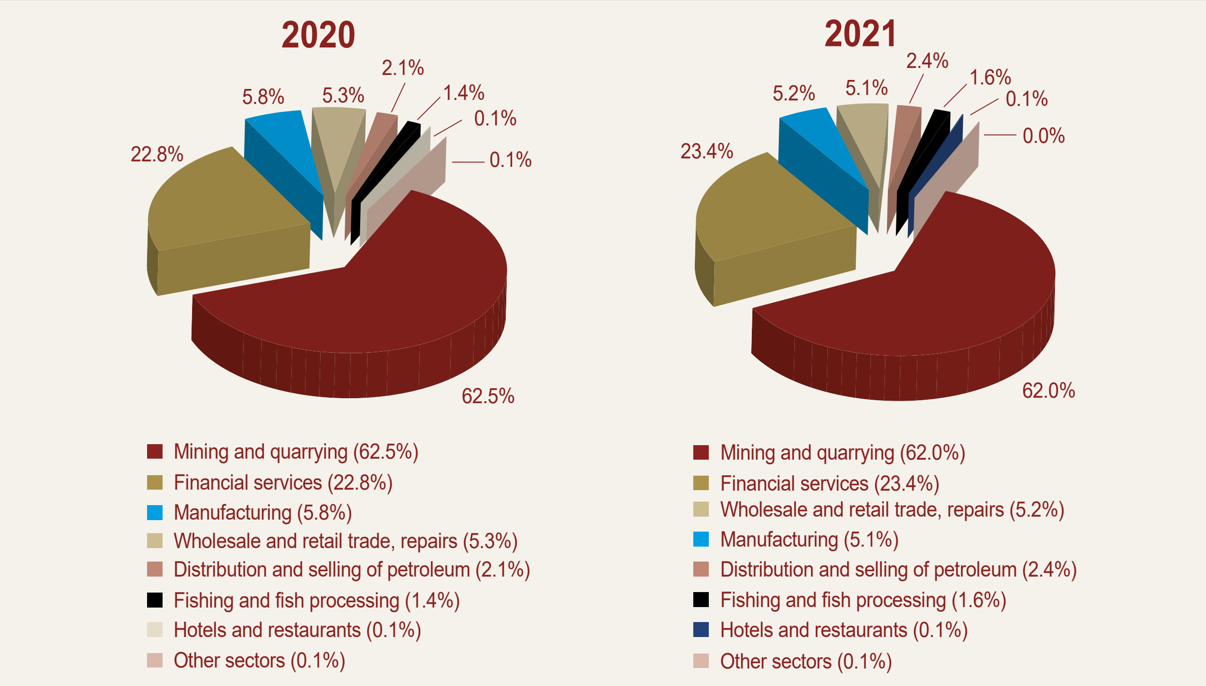
b. By the end of 2021, the value of Namibia's foreign liabilities rose when compared to the previous year, mainly due to an increase in direct and other investment.



At the end of 2021, the value of Namibia's foreign assets increased, following an increase in reserve assets and other investment. On an annual basis, the market value of Namibia's foreign assets increased by 6.1 percent to N$165.0 billion by the end of 2021 (Figure C.30a). The rise in foreign assets was mostly reflected in reserve assets, which rose by 38.2 percent to N$43.9 billion. Foreign reserves rose during 2021 mainly due to foreign borrowings by the government in the form of the IMF RFI loan, the AfDB loan, as well as the IMF Special Drawing Right (SDR) allocation. Moreover, other investment rose by N$384 million to N$16.1 billion as institutional investors increased their deposits abroad during 2021.

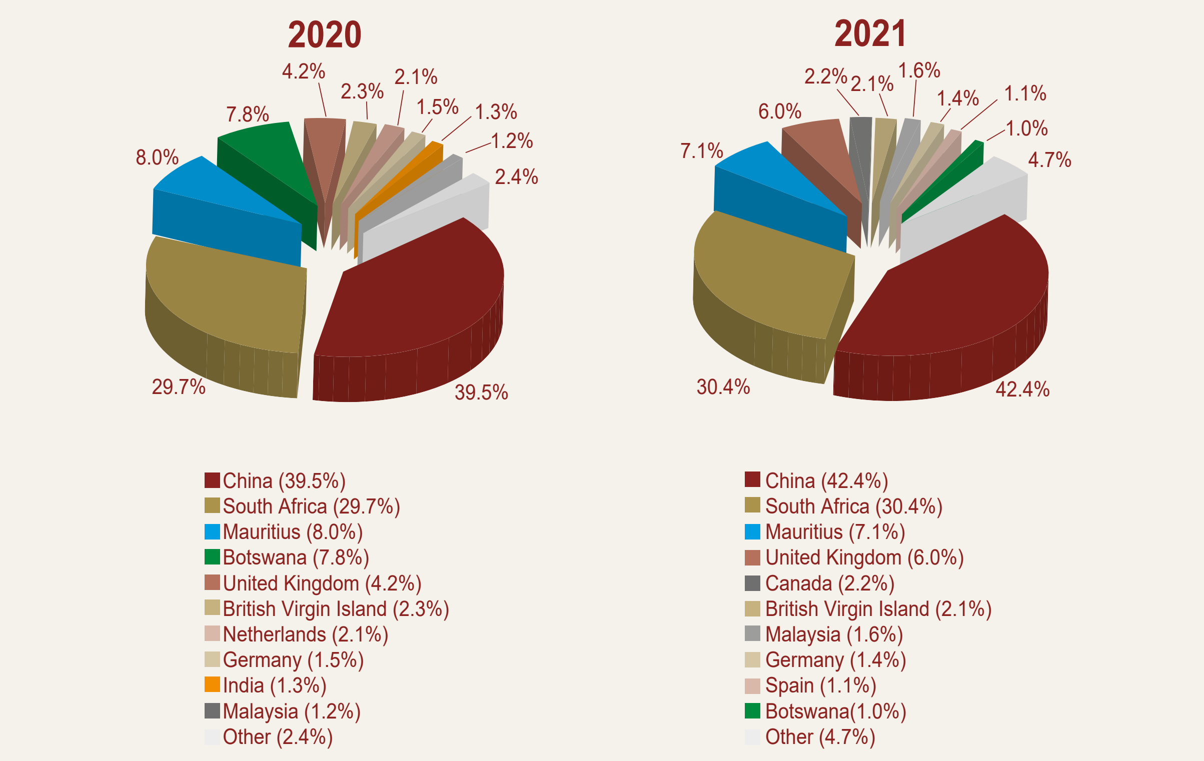
The market value of Namibia's foreign liabilities rose during 2021 in comparison with a year earlier, mainly due to an increase in other and direct investment. On a yearly basis, Namibia's foreign liabilities rose by 4.2 percent to N$169.9 billion at the end of December 2021 (Figure C.30b). This rise was mainly supported by other investment which rose by N$9.3 billion over the year to N$53.0 billion. Other investment rose mainly due to the uptake of loans such as the AfDB loan disbursed to the Government, the IMF RFI loan, as well as the IMF SDR allocation. Similarly, direct investment rose by 4.2 percent to N$101.0 billion chiefly due to borrowings made by corporates in the mining sector. However, the rise in the foreign liabilities was weighed down by a decrease in portfolio investment of 28.5 percent to N$15.8 billion, due to the redemption of the Eurobond made on the 3rd of November 2021.

FIGURE C.31A DIRECT INVESTMENT LIABILITIES BY SECTOR, PERCENTAGE SHARE



During 2021, Namibia's direct investment liabilities by sector showed the same broad patterns as a year ago with mining continuing to dominate. The stock of foreign direct investment liabilities by sector was dominated by the mining and quarrying sector with a share of 62.0 percent, followed by the financial intermediation sector with a share of 23.4 percent during 2021 (Figure C.31a). The share of the mining sector declined by 0.5 percentage points due to price revaluation. The share of the financial sector increased by 0.7 percentage points due to higher retained earnings. The wholesale and retail trade and repairs sector and the manufacturing sector completed the top four with shares of 5.1 percent and 5.2 percent, respectively. Moreover, the share of distribution and selling of petroleum increased by 0.3 percentage points due to borrowing in the form of long-term debt.

FIGURE C.31B DIRECT INVESTMENT LIABILITIES BY COUNTRY, PERCENTAGE SHARE



At the end of 2021, Namibia's direct investment liabilities by source country was dominated by China followed by South Africa. During 2021, the stock of foreign direct investment (FDI) liabilities was mainly sourced from China and South Africa with a combined share of 72.8 percent, mostly concentrated in the mining and financial intermediation sectors. The share of China increased due to the uptake of debt whereas the share of South Africa increased slightly due to higher profits made by companies in the financial sector (Figure C.31b). Moreover, Mauritius, the United Kingdom, Canada and the British Virgin Islands jointly accounted for 17.4 percent of the total stock with investment concentrated in the mining sector.

EXTERNAL DEBT

TABLE C.17 NAMIBIA'S EXTERNAL DEBT

N$ million	2017	2018	2019 (p)	2020 (p)	2021 (p)
GROSS EXTERNAL DEBT POSITION	**102 835**	**121 053**	**116 572**	**119 832**	**129 261**
1. Central Government	26 426	32 156	30 852	33 065	32,502
2. SOEs/parastatals	9 190	10 075	10 098	10 068	9 285
3. Central Bank[29]	2 469	2,870	2 814	2 914	6 815
4. Deposit-taking corporations, except the Central Bank	10 361	10 415	9 594	9 141	9 130
5. Other sectors[30]	11 230	12 647	11 152	10 044	10 449
6. Direct investment: Intercompany lending[31]	43 158	52 891	52 063	54 602	61 080
GROSS EXTERNAL DEBT SERVICE PAYMENTS	**18 341**	**20 213**	**26 000**	**21 668**	**27 161**
1. Central Government	1 952	2 194	2 779	3 736	10 886
2. SOEs/parastatals	1 077	719	1 421	1 237	1 399
3. Central Bank	55	104	157	81	111
4. Deposit-taking corporations, except the Central Bank	3 049	3 530	3 471	3 547	2 260
5. Other sectors	4 209	3 586	4 988	2 542	1 691
6. Direct investment: Intercompany lending	7 998	10 081	13 185	10 525	10 814
Outstanding debt Y-on-Y (percentage change)	15.2	17.7	-3.7	2.8	7.9
Debt servicing Y-on-Y (percentage change)	-26.2	10.2	28.6	-16.7	25.2
Debt servicing to exports F.o.B	30.7	30.9	39.5	37.2	47.3
Official reserves / Short-term external debt	2.4	2.1	2.1	2.5	4.3
EXPORTS OF GOODS AND SERVICES	**59 714**	**65 702**	**66 156**	**58 393**	**58 560**
OFFICIAL RESERVES	**30 177**	**31 024**	**28 941**	**31 752**	**43 871**
Exchange rate (end of period) (USD)	12.3930	14.4309	14.1235	14.6218	15.9064

Over the year to the end of December 2021, Namibia's stock of external debt increased mainly due to borrowing by direct investment enterprises through intercompany lending and by the Central Bank. Namibia's stock of external debt increased by 7.9 percent to N$129.3 billion during 2021. Foreign borrowing by direct investment enterprises contributed to the rise in the stock of external debt as it increased by N$6.5 billion, as enterprises in the *mining* sector were borrowing to finance operations. In addition, a general allocation of SDR by the IMF worth N$3.9 billion increased the Bank's foreign liability balance by N$3.9 billion to N$6.8 billion.

At the end of 2021, Namibia's ratio of official reserves to short-term debt increased compared to 2020. The ratio of official reserves to short-term debt increased from 2.5 to 4.3 due to the increase in the stock of international reserves.

Namibia's foreign debt servicing increased during 2021, mainly due to the redemption of the Eurobond. The total value of repayments on Namibia's foreign debt increased to N$27.2 billion in 2021, 25.4 percent higher than in the previous year (Table C.17). This was mainly due to the redemption of the Eurobond to the tune of N$8.0 billion (US$500 million) made on 3 November 2021. Moreover, repayments made by

29 The Central Bank debt comprises SDR allocations received from the IMF.

30 The category other sectors consist of enterprises, Namibian-owned companies and EPZ's.

31 Intercompany lending includes loan transactions (and transactions in other debt securities) between parent companies and their subsidiaries or investee companies, and between subsidiaries of the same group, unless the latter are financial intermediaries (except for insurance corporations and pension funds).

enterprises in the *mining* sector through intercompany lending, which rose by 2.7 percent to N$10.8 billion also contributed to the increase in debt servicing.

In 2021, the ratio of debt servicing to exports[32] increased in comparison to 2020. The ratio increased to 47.3 percent in 2021 from 37.2 percent when compared to the preceding year. The rise was due to an increase in debt servicing during 2021. The current ratio of 47.3 percent of debt servicing to exports was above the international benchmark[33] of 15 to 25 percent.

TABLE C.18 EXTERNAL DEBT BY REMAINING MATURITY END OF 2021

N$ million	Total	Short term[34]	2023	2024	2025	2026	2027	2028 plus
GROSS EXTERNAL DEBT BY REMAINING MATURITY	**129,261**	**19,220**	**3,319**	**3,337**	**14,893**	**3,166**	**4,645**	**80,683**
1. Central Government	32,502	1,550	268	910	12,485	1,240	431	15,618
2. State Owned Enterprises/ Parastatals	9,285	714	175	175	175	175	517	7,356
3. Central Bank	6,815	-	-	-	-	-	-	6,815
4. Deposit-Taking Corporations, except the Central Bank	9,130	6,344	340	500	-	-	1,946	-
5. Other Sectors	10,449	945	204	-	-	-	-	9,300
6. Direct Investment: Intercompany Lending	61,080	9,666	2,333	1,751	2,233	1,751	1,751	41,594

Namibia's external debt maturity structure is largely concentrated in the long-run implying ability to mitigate the impact of external shocks. By the end of December 2021, external debt with maturity that goes beyond the year 2027 constituted 62.3 percent of the total external debt, indicating that the Namibia's external debt is predominantly long-term. The longer the average term to maturity, the more time to repay debt obligations, thus mitigating the impact of external shocks. Namibia's debt due in less than one year was N$19.2 billion, which constitutes 14.9 percent of the total external debt, mainly driven by the direct investment enterprises' debt obligations due in 2022 together with currency and deposits of non-residents. The remaining share of 22.7 percent was allocated to external debt due within the next 5 years (Table C.18).

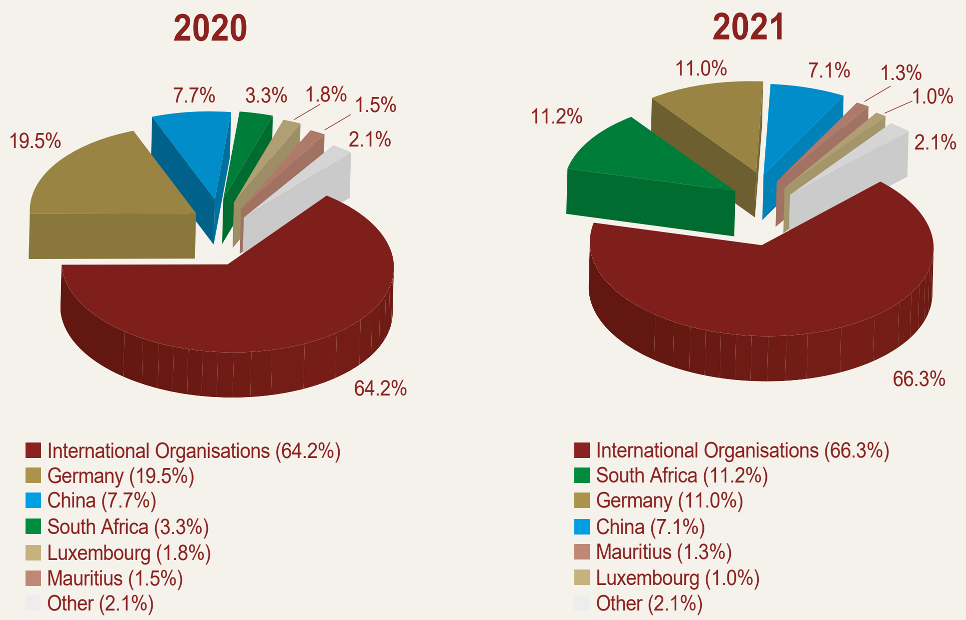
32 Debt service as a percentage of merchandise exports is a good measure of serviceable debt. This is due to the fact that higher growth rates in exports build up international reserves, which in turn are used to service foreign debt. Therefore, the lower the percentage, the better.

33 The international benchmark values give an assessment of the country's risk of debt distress. If the ratio falls below the threshold of 15 to 25 percent, then the country is seen to meet its debt service obligations and is at low risk. Should the country's debt burden fall within the threshold, but stress tests indicate a possible breach in the presence of external shocks or abrupt changes in macroeconomic policies, then it would be at a moderate risk. Finally, if the country's debt burden falls above the threshold, then the country would be considered to be in debt distress, and stringent policy interventions would need to be taken.

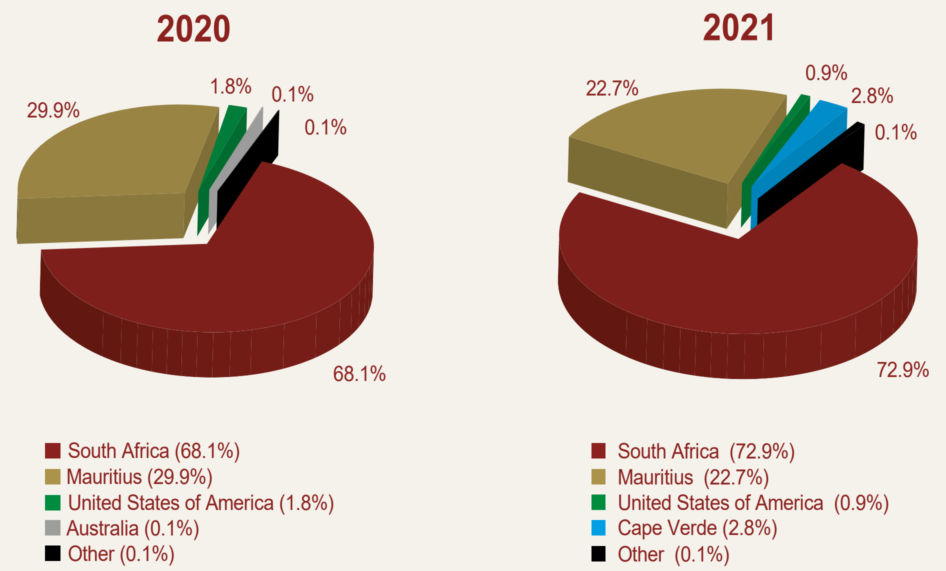
34 This includes liabilities with an original maturity of less than one year, e.g., currency and deposits as well as trade finances.

FIGURE C.32 EXTERNAL LONG AND SHORT-TERM LOANS BY COUNTRY, PERCENTAGE SHARE

a. During 2021, international organisations continued to dominate Namibia's long-term loans …



b. … while short-term loans remained dominated by South Africa.

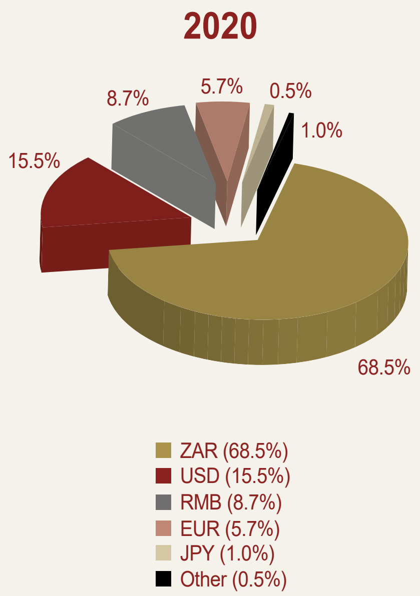


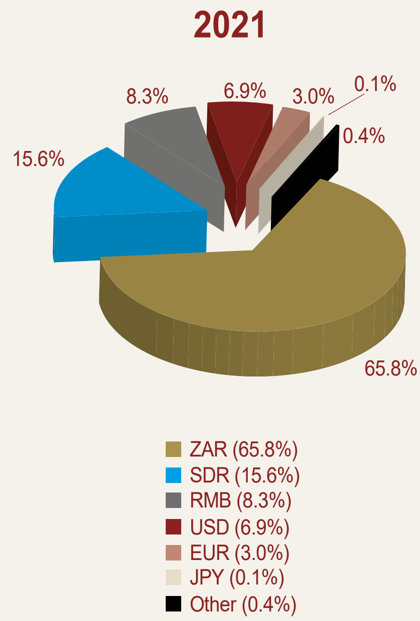
During 2021, Namibia's long-term loans were mainly sourced from international organisations,[35] while short-term loans were predominantly sourced from South Africa. During 2021, Namibia's long-term loans were sourced mostly from international organisations, whose share was 66.3 percent, mainly reflecting multilateral loans of the Central Government (Figure C32a). This share increased because of the disbursement of supplemental financing from the AfDB, as well as an IMF RFI loan. South Africa and Germany were the second and third largest sources of Namibia's long-term loans, with shares of 11.2 percent and 11.0 percent, respectively. The share of South Africa rose due to uptake of long-term loans by parastatals. The share of long-term loans from Germany decreased from 19.5 percent to 11.0 percent due to a repayment made by the Central Government. Namibia's long-term loans from China are predominantly bilateral loans between the two governments. Namibia's short-term loans remained broadly similar when compared to a year ago, with South Africa dominating with a share of 72.9 percent. Mauritius was the second largest contributor to Namibia's short-term loans, with a share of 22.7 percent.

35 This includes borrowing from multilateral organisations.

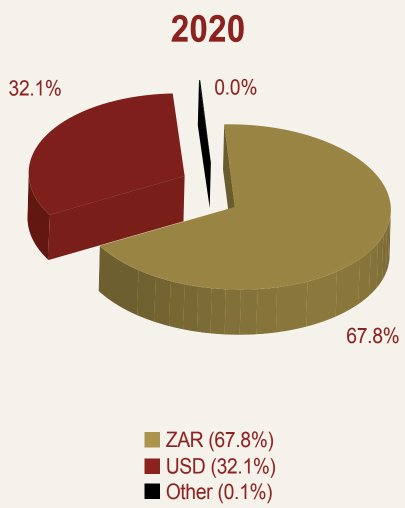
FIGURE C.33 EXTERNAL LONG- AND SHORT-TERM LOANS BY CURRENCY, PERCENTAGE SHARE

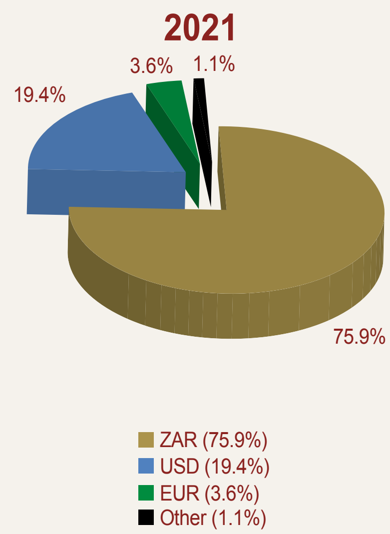
a. During 2021, the largest currency of denomination for Namibia's long-term loans continued to be the Rand, followed by SDR.





b. During 2021, short-term loans was mainly dominated in Rand, followed by the US Dollar.





Namibia's long and short-term loans were mainly dominated in Rand during 2021. During 2021, long-term loans were mainly denominated in Rand, with the currency accounting for 65.8 percent of the total, followed by SDR, with a share of 15.6 percent (Figure C.33). The share of the Rand was sustained by supplemental financing from the AfDB, while the share of SDR was mainly a result of the IMF's RFI. The Rand dominated short-term loans with a share of 75.9 percent during 2021, followed by the US Dollar with a share of 19.4 percent, reflecting repayments made of short-term loans.

EXCHANGE RATE DEVELOPMENTS

The Namibia Dollar appreciated against all major currencies during 2021 underpinned mainly by stronger international commodity prices and unchanged monetary policy stances.[36] The Namibia Dollar appreciated against the US Dollar by 10.2 percent to an annual average of N$14.8 per US Dollar in 2021 (Figure C.25e). The Namibia Dollar also appreciated against the Pound Sterling and the Euro by 3.6 percent and 6.8 percent, respectively, to averages of N$20.3 per Pound Sterling and N$17.5 per Euro. The appreciation of the Namibia Dollar against major currencies was mainly attributable to South Africa's large current account surplus, supported by strong commodity prices and the sustained low interest rates in advanced economies. The appreciation was further supported by the spread of the COVID-19 pandemic, which dragged down EMDEs currencies in the corresponding period of 2020.

Trade-weighted effective exchange rates

The Nominal Effective Exchange Rate[37] (NEER) and the Real Effective Exchange Rate (REER) both appreciated during 2021, largely due to improved global economic conditions. During 2021, on an annual average basis, both the NEER and REER indices appreciated by 2.8 percent and 2.7 percent, respectively (Figure C.25f). The appreciation of the NEER and REER was largely ascribed to a low base in 2020 as well as a surplus on South Africa's current account sustained by higher international commodity prices, alongside accommodative global monetary policy stances. The year-on-year increase in the REER index signals a decline in the competitiveness of Namibia's export products in foreign markets.

CONCLUSION

The global economy recovered in 2021 when compared to 2020, sustained by vaccination rollout, the reopening of economies and improved global demand. The recovery benefited from growth in AEs where economic activity became less constrained on the back of vaccination drives and the subsequent reduction in severe COVID-19 cases and deaths. Prices of monitored commodities were all on an upward trend in 2021. The positive outlook on the demand for uranium is a welcome development for Namibia's export revenue. Inflation continued to rise due to high prices of food and currency depreciations in EMDEs. Central banks in major economies maintained accommodative monetary policies, while some central banks increased their interest rates to mitigate high inflation expectations. The global economy is estimated to have improved in 2021, however, is expected to moderate in 2022. The major downside risks are slower-than-anticipated vaccine rollout and possible tightening of the financial conditions, as well as geopolitical tensions.

The domestic economy recovered in 2021 from a contraction registered during 2020, which is mainly attributed to the recoveries in the primary and tertiary industries. The recovery was reflected in major sectors of the economy, particularly the *mining, wholesale and retail trade*, *communication* and *health* sectors. The *tourism* sector also gained momentum in 2021 but remained below the pre-pandemic levels. However, driven by contraction in the *construction* and *electricity and water* sectors, secondary industry remained weak. Overall inflation rose during 2021 compared to 2020, largely driven by an increase in inflation for *transport, housing* and *food*. Banks' private sector credit extension slowed, largely driven by lower demand for credit by households and businesses. The Central Government's budget deficit widened compared to the previous fiscal year, whereas the debt stock of the Central Government rose over the year to the end of December 2021. Namibia's current account turned into a deficit during 2021, due to a deterioration of the merchandise trade deficit as well as a decrease in secondary income inflows. The current account as a percentage of GDP recorded a deficit of 9.1 percent during 2021, compared to a surplus of 2.8 percent recorded in 2020. Nevertheless, financial account

36 The Namibia Dollar (N$) trades one-to-one against the South African Rand (ZAR) and is therefore referred to interchangeably. This section uses middle exchange rates against foreign currency units, unless otherwise stated. The respective exchanges rates are period averages.

37 The NEER is a trade weighted index of the nominal exchange rate of the Namibia Dollar against the currencies of Namibia's major trading partners: the Rand, Pula, Euro, US Dollar, Yuan, Dirham and Rupee. The REER, on the other hand, takes the NEER and deflates it with the relative consumer price indices of Namibia and those of its major trading partners. An increase in the index represents an effective appreciation of the national currency, whereas a decline in the index represents an effective depreciation.

flows were favourable in 2021, boosting reserves. The stock of international reserves stood at N$43.9 billion (6.4 months of imports) as at the end of December 2021, which represented an increase of 38.2 percent compared to the same date in the previous year. Going forward, the emergence of new variants of COVID-19 poses a risk to domestic growth and could also dampen the prices of some of Namibia's export commodities, while climatic swings always constitute a risk to the country's agricultural sector. On the upside, new mineral discoveries and a number of large projects could boost sentiment and economic activity.

THEME CHAPTER

COLLABORATIVE APPROACHES TO POLICY IMPLEMENTATION FOR DIGITAL TRANSFORMATION

CONTENTS

1 INTRODUCTION

The Namibian economy stagnated from 2016 to 2019 and then suffered a major setback in 2020 from which it only started to recover in 2021. The COVID-19 global pandemic caused a contraction of 8.5 percent in 2020 – the biggest in the country's history – although the economy has grown by 0.9 percent in 2021.[38] The COVID-19 pandemic affected some countries more than others during 2020. Countries with better broadband infrastructure and with broad use of information and communication technologies (ICTs) among the population were able to mitigate some of the negative economic impacts, allowing households, enterprises and governments to continue their daily engagements during this time albeit while working from home, and with lockdowns and other restrictions.

A clear lesson that has emerged is that inclusive connectivity is not an option, but a necessity. The digital economy has become an enabler for traditional economic sectors in Namibia, with the ICT sector contributing 17.4 percent to GDP in 2020, an increase from an average of 6.0 percent from 2014 to 2019. The digital economy is the economic activity that results from billions of everyday online connections among people, businesses, devices, data, and processes. The backbone of the digital economy is hyperconnectivity, which means growing interconnectedness of people, organisations, and machines that are part and parcel of the internet, mobile technology and the internet of things.[39] There is a need for creating new markets and development opportunities. One prominent legacy of COVID-19 is the opportunity to drive the digital transformation journey of countries, including Namibia.

According to the Harambee Prosperity Plan II, Namibia, as a country with a small, open economy, must necessarily adopt a targeted and deliberate approach to facilitate inclusive and sustainable levels of economic growth to redress inequality, and alleviate poverty and unemployment. Since its independence in 1990, Namibia has achieved notable progress in reducing poverty, halving the proportion of Namibians living below the national poverty line to 28.7 percent by 2009/10 and further reducing it to 17.4 percent by 2015/16. In part due to the negative impact of COVID-19 on livelihoods, however, poverty rates are projected to increase, with the upper middle-income poverty rate projected to stay near 65 percent through 2022.[40]

The COVID-19 pandemic is having an unprecedented impact on Namibia's economy and has exacerbated pre-existing structural challenges. Progress toward reducing inequality has been slow, and as a result, Namibia remains one of the most unequal country in the world. This fact is supported by the Gini index which was estimated at 63.3 in 2003, 61.0 in 2009 and 59.1 in 2015. Namibia's past economic growth, though steady, has not been enough to deal with the country's triple challenge of high poverty, inequality and unemployment. The weakening of growth in the last few years, combined with the COVID -19 shock, further puts progress in social development at risk.

Digital transformation has emerged on the policy agendas of a growing number of countries as a means of driving social development and economic prosperity. Digitalisation as a cross-cutting phenomenon has broad impacts, both socially and economically. It affects all sectors of an economy – from agriculture to industry and trade, from household consumption to public services – through its impacts on productivity, employment, skills, services being offered, and markets being reached.[41] It has changed the means of production, modes of delivery, and consumption and lifestyle patterns, and profoundly affects our social lives by establishing new means of communication.

The COVID -19 pandemic has been a wakeup call and has accelerated the use of digital technologies in order to keep working and stay connected. It has also revealed the divides that persist between those who have access and those who do not. Digital technology dividends are not automatic, and not everyone can benefit equally. Hence, there is a critical need for actions at policy level to maximise the benefits and minimise the potential risks. It is crucial that the Government is committed

38 https://www.bon.com.na/CMSTemplates/Bon/Files/bon.com.na/bc/bc848a3e-14e7-4b7c-b33d-9d3ec7e37690.pdf
39 https://www2.deloitte.com/mt/en/pages/technology/articles/mt-what-is-digital-economy.html
40 https://www.worldbank.org/en/country/namibia/overview#1
41 https://www.itu.int/en/ITU-D/Conferences/GSR/Documents/GSR2017/Soc_Eco_impact_Digital_transformation_finalGSR.pdf

to upscaling new solutions and creating a structured, enabling environment for innovation development, support systems and capacity development, which are pertinent for bringing about development through ICTs.

Digital transformation and the changes it brought about, and continues to bring about, have created the need for a different approach to regulation. As a result, a new regulatory paradigm has emerged that seeks to fast forward digital transformation for all – and that paradigm is embodied in the concept of collaborative regulation. According to the International Telecommunication Union (ITU), ICTs can help accelerate progress towards the Sustainable Development Goals (SDGs). The interplay between digitalisation and sustainability unfolds bright opportunities for shaping a greener economy and society, paving the way towards the achievement of SDGs. ICTs can achieve results at a scale, speed, accuracy, quality and cost not imaginable a decade ago.

The purpose of this theme chapter is three-fold. First, it highlights the link between digital transformation and the SDGs. Secondly, it reviews several important sectors and provides country cases of how they have achieved their transformations. Thirdly, it offers collaborative approaches to policy implementation for digital transformation applicable to Namibia.

2 SUSTAINABLE DEVELOPMENT GOALS AND THE ICT SECTOR

The SDGs within the United Nations 2030 Agenda emerged in 2015, becoming an unprecedented global compass for navigating existing sustainability challenges. The aim of the SDGs is to set the objectives for driving forces all over the world to tackle the world's largest challenges. This includes fighting poverty, eliminating inequalities and achieving sustainable economic growth. The agenda comprises 17 SDGs which are further refined to 169 targets addressing economic, social and environmental aspects. In recent years, there has not been an influence stronger than the ICT sector on the development of countries and societies, especially in driving today's innovation, efficiency and effectiveness across all sectors. For a generation, ICT has been the fastest growing of all sectors.[42]

According to the International Telecommunication Union, ICTs can help accelerate progress towards the SDGs. The interplay between digitalisation and sustainability unfolds bright opportunities for shaping a greener economy and society, paving the way towards achieving the SDGs. ICTs can achieve results at a scale, speed, accuracy, quality and cost not imaginable a decade ago. They have the means to deliver quality goods and services in the areas of healthcare, finance, education, commerce, agriculture and governance, amongst others.[43] ICTs can also help reduce poverty and hunger, boost health, create new jobs, mitigate climate change, improve energy efficiency and make cities and communities sustainable. Therefore, since ICTs play a vital role in achieving the SDGs, issues such as affordability and availability of such services, as well as the creation of incentives for innovation and entrepreneurship, must be addressed holistically and comprehensively at a policy level. There is a clear interdependence of targets and goals, and ICTs play an important role in achieving these goals.[44]

42 https://www.mdpi.com/2071-1050/13/21/11831/htm
43 https://www.itu.int/hub/2020/05/itus-approach-to-using-icts-to-achieve-the-united-nations-sustainable-development-goals/#:~:text=ICTs%20are%20able%20to%20achieve,governance%20and%20agriculture%2C%20among%20others.
44 https://www.un.org/press/en/2003/pi1546.doc.htm

How digital technologies can contribute significantly to the fulfilment of several SDGs:[45]

SDG 1: No poverty	Access to digital financial services has been proven to help lift people out of poverty. ICT can improve poor people's access to markets and healthcare, expand their use of government services and widen their access to micro-finance.
SDG 2: Zero hunger	By making agricultural practices more data-driven and efficient, ICT-enabled solutions can help farmers increase crop yields while reducing their use of energy.
SDG 3: Good health and well-being	Direct patient interaction, health informatics and telemedicine can be improved through better connectivity.
SDG 4: Quality education	Inclusive, equitable and lifelong learning opportunities for all can be enabled where integrated policies can play a role in fostering innovation in the education sector and facilitating the use of mobile technology for learning.
SDG 6: Clean water and sanitation	New and emerging digital technologies facilitate smart water and sanitation management.
SDG 7: Affordable and clean energy	Although rising tech use contributes to emissions of carbon dioxide and other greenhouse gases, the industry is exploring ways to use greener energy, make devices more energy efficient, and incorporate solar, wind and other renewable sources into the value chain. At the same time, cutting-edge tech will be essential to cut global emissions, build smart grids and cities, electrify transport, and build sustainable economies and societies.
SDG 8: Decent work and economic growth	Technology creates new jobs, enables resilient work and commerce, and stimulates wider social and economic development.
SDG 9: Improved Infrastructure	Resilient infrastructure can be built, innovation can be fostered, and inclusive and sustainable industrialisation can be achieved through holistic and targeted ICT policies, regulations and strategies, as well as by promoting confidence and security in the use of ICTs.
SDG 16: Peace, justice and strong institutions	e-Government services are helping improve the relationship between citizens and the state and the efficiency of government service delivery.
SDG 17: The power of partnerships	Public-private partnerships are key to bringing ICTs to all nations, peoples and communities. Partnerships are particularly needed to build the physical infrastructure required to deliver internet services in remote areas and for currently disadvantaged populations, as well as to facilitate the investment, inclusion and innovation required for SDG fulfilment across the board.

Source: ITU (2021)

45 https://www.itu.int/en/mediacentre/backgrounders/Pages/icts-to-achieve-the-united-nations-sustainable-development-goals.aspx

3 INFORMATION AND COMMUNICATION TECHNOLOGIES AS ENABLERS ACROSS SECTORS

The ICT sector players work more and more with non-traditional ICT players as ICTs become increasingly recognised as essential pillars in many areas of life. Government, health sector and school connectivity require access to telecommunication networks and services, as does digital financial inclusion (Maddens, 2016).[46]

3.1 ADMINISTRATION AND ICT

The use of new technologies and applications such as cloud computing, mobile technologies and social media channels has become part of the day-to-day life of people, businesses and society at local, regional and global levels. According to Maddens (2016), more open governance through e-government has led to governments becoming more transparent and accessible, and this in turn has led to more and new forms of public engagement and relationships.

e-Governance is the application of ICTs for delivering government services through the integration of various stand-alone systems between government-to-citizens, government-to-business and government-to-government services. It is often linked with back-office processes and interactions within the entire government framework.

Case study 1: e-Government in Denmark

According to the Digital Economy and Society Index report 2021, Denmark ranks first out of the 28 EU Member States. The index tracks the progress made in EU member states in digital competitiveness in the areas of human capital, broadband connectivity, the integration of digital technologies by businesses and digital public services.

Denmark is one of the highest-ranking countries in the world when it comes to the digitisation of the public sector. Denmark has consistently ranked in the global top when the digital transformation of the public sector is evaluated. Most transactions are cashless, and almost all interaction with the Danish authorities takes place online. One of the basic digital infrastructures in Denmark is the digital key 'NemID' (or in English 'EasyID') which was developed in 2010. The digital key makes it simple for the citizens to access a wide range of services online.[47] The digital key in itself and the cooperation between the public and the private sector is an important factor when exploring how Denmark has managed to become one of the most digitalised countries in the world.

A strong mandate for coordination, a cross- and joint-governmental approach, and a consultative and consensus culture for strategy formulation and implementation across all levels of government is a seminal characteristic which helps align objectives and create a sense of joint ownership. While not uniquely Danish, strategy cycles are interlinked with ex ante and ex post evaluations and weaknesses identified for solution. eGovernment strategies are supported by strategic initiatives, which in turn are linked to a mandatory IT-project and business case model which not only helps minimise the risk of failure but also facilitates active benefit realisation at both project and strategy levels. During the consultation process undertaken by local authorities, who also informally consult with the private sector and academia, potential weaknesses found are a perceived in-transparency of the consultation process.

46 https://www.itu.int/en/ITU-D/Regional-Presence/AsiaPacific/SiteAssets/Pages/Events/2019/RRITP2019/ASP/ITP_SM_presentation_rev0409.pdf

47 https://denmark.dk/innovation-and-design/denmarks-digital-success#:~:text=One%20of%20the%20basic%20digital,wide%20range%20of%20services%20online.

Elements addressing change management and innovation in the IT-project model could potentially be strengthened in Denmark.[48]

The success of the Danish economy lies in trust. Although Denmark has lauded the digital key as the reason for their digital success, the Danish people feel that the trust between citizens and government played a bigger role. There is a great deal of openness and a lot of interaction between the citizens, the private sector and the public sector.

3.2 AGRICULTURE AND ICT

The desire to promote better information access to improve the socioeconomic condition of farmers has always been the top priority of agricultural extensionists and rural advisory service providers. According to the Food and Agriculture Organization (FAO) (2011)[49], exchanging information is critical for the stakeholders in agricultural value chains in order to reduce the asymmetries in information and communication as well as to reduce the vicious cycle of poverty. Digital technologies affect the entire food system and every actor in that system and generate significant benefits in agriculture by reducing the costs of information, transactions and supervision. Since agriculture is regarded as the backbone of the Namibian economy, it follows that agricultural growth is essential for fostering economic development and feeding the growing population.

As the prime connection between people and the planet, food and agriculture can help achieve multiple SDGs. Properly nourished children can learn, people can lead healthy and productive lives, and societies can prosper. By nurturing the land and adopting sustainable agriculture, present and future generations will be able to feed a growing population. The agriculture sector, covering crops, livestock, fisheries and forests, is the world's biggest employer and the largest economic sector in many countries; it is also the main source of food and income for the extremely poor. Sustainable food and agriculture have great potential to revitalize the rural landscape, deliver inclusive growth to countries and drive positive change right across the 2030 Agenda for Sustainable Development.

The use of ICT-based solutions can solve problems that have been a burden to the agriculture sector for too long. However, in order to effectively exploit the latent potential of ICT devices and digital services, the characteristics of the driving forces behind new technologies have to be understood. At the farm level, ICTs can help manage farm operations and functions by collecting, processing, storing and disseminating information. Farm Management Information Systems are complex recordkeeping systems that support agricultural production management, helping in particular to reduce production costs, ensure compliance with agricultural standards and maintain product quality and safety (ITU and FAO, 2020).

Digital technology can also be used to deliver e-agriculture which is a more streamlined agricultural production system often called "precision agriculture". It uses a resource-efficient approach that can also have great environmental benefits (e.g. more efficient use of water, optimization of treatments and inputs, reduced use of fertilizers and pesticides – or "doing more with less"). Looking beyond the farm, e-agriculture has the potential to contribute to a more economically, environmentally and socially sustainable agriculture that meets the agricultural goals of a country, or to render a region more effective in the areas of agricultural innovation systems, sustainable farming, food safety and traceability, financial services and insurance, etc. (ITU and FAO, 2020).[50]

48 http://collections.unu.edu/view/UNU:7455
49 https://www.fao.org/3/i6030e/i6030e.pdf
50 https://www.itu.int/en/ITU-D/Regional-Presence/Europe/Documents/Events/2020/Series%20of%20Webinars/20-00244_Status_digital_Agriculture-revFAOV4.0-MASTER-FILE-20-JUNE_REVIEW-FAO_PL_print%20(002).pdf

Case study 2: Japan's advancement in agricultural technology

Japan does not have the best agricultural land; however, Japanese agricultural products have become world renowned for their quality. The success in high-quality agricultural production achieved by Japan is mainly due to agricultural technology which is more advanced than in other countries.[51] Japanese agricultural technology is comprehensive from the planting process through to the harvesting process. Furthermore, government support and research has the greatest influence on the success of agriculture in the country.

Smart farming in Japan

The smart farming market consists of various solutions such as the use of agricultural robots and drones, and GPS-based guidance systems with autopilot or semi self-operating technologies for tracking, monitoring, automating and analysing operations. These technologies are ideally closely linked to each other to create an innovative production chain.

The smart farming market in Japan is categorised in the following six segments (Yano Research, 2019):[52]

1. Precision Farming GPS Guidance Systems (esp. for tractors); Automatic Steering (does not include unmanned vehicles); Vehicle Robot Systems (including unmanned systems)
2. Agricultural Robot Systems: Agricultural Robots (e.g., facility robots such as grafting robots); Manipulator Robots (e.g., harvesting robots); Assisting Robots (e.g., Powered suits or exoskeletons)
3. Drone Solutions (does not include the drone as hardware): Agrichemical Spraying; Monitoring Service
4. Cultivation Support Solutions: Cloud Services for Farming (Farm work management via internet); Complex Environmental Control Devices (e.g., control of heat, light, ventilation, humidity etc.); Production Support for Dairy Farming and Animal Husbandry
5. Management Support Solutions: Accounting Software for Farming; Accounting Support for Agricultural Corporations; Management Support System (e.g., using climate data)
6. Sales Support Solutions: ICT to connect actors and optimise sales process (connect producers with Japan Agricultural Cooperatives and food businesses to reduce effort in optimal sales of products); Sales support service (e.g., using climate data)

Japan believes that digital farming will help it overcome projected water shortages, allowing even inexperienced growers to manage their use of water more efficiently, and increase productivity in areas with limited access to water. "Fertigation", an agricultural technique, allows farmers to use narrow pipes to place drops of water and fertiliser at the roots of growing crops as opposed to spraying a large amount of water with sprinklers. Japan is using IoT (the Internet of Things) and AI (Artificial Intelligence) to make advances in fertigation,8 with data being collected from soil and light sensors. AI analyses the data to determine the right amount of water and fertilisers needed, making the approach far more sustainable.[53]

3.3 EDUCATION AND ICT

ICTs contribute to making education more accessible and more universally and equitably available to people around the world. ICTs enable more efficient delivery of quality teaching, more effective learning, and better educational

51 https://lifelines-india.net/why-japanese-agricultural-technology-is-the-most-advanced-in-the-world-right-now/
52 https://www.ecos.eu/ja/factsheets_j.html?file=files/content/downloads/publikationen/REPORT_Smart_Farming.pdf
53 https://www.lombardodier.com/contents/corporate-news/responsible-capital/2021/june/how-japan-is-using-digital-farmi.html

management, governance and administration (Maddens, 2016).

Connectivity provides many educational benefits, including access to information, and opportunities for collaboration and acquiring digital skills, including the use of technology and online applications. The benefits are particularly attractive for remote schools where internet access provides the opportunity for online learning and access to educational content.

e-Learning offers several advantages: 1) real-time education programmes; 2) differentiated contents and educational methods; 3) ongoing discussion and the potential to interact virtually with other students; and 4) online supervision with quick feedback. In these high-tech and rapid learning systems, students can learn much more, without the restrictions of time .[54]

Case study 3: South Korea and the future of online education

The COVID-19 pandemic has forced virtually all schools and universities in the world to switch to online education, and South Korea was no exception. The nation's transition to online education has mostly been smooth, and the reason for this is clear: South Korea has one of the best IT infrastructures in the world.

South Korea has built a world-class IT infrastructure and internet facilities nationwide over the last decade. Most of the population in Korea is able to access the internet anywhere and anytime. Before the pandemic, the country had attained 99 percent 4G coverage, with 5G under implementation. Further, about 75 percent of households had access to computers, and 99.5 percent had internet access. Coupled with the nation's prioritisation of education, this makes the ease of implementation of online education and widespread acceptance of this mode by students and teachers seem inevitable.[55]

The government expanded public infrastructure by increasing e-learning platforms' capacity to support millions of students, from mere thousands. Furthermore, it has helped to build teaching capability by providing teachers with piloting and peer-mentoring programmes. An example is "The Community of 10,000 Representative Teachers", which encourages teachers to share their ideas and information about online education. The government has also shared relevant guidelines and provided real-time support to teachers, parents and students to use online education platforms, and has worked with the private sector to resolve the digital divide. Further, it provides rentable devices at zero cost to thousands of students and has offered this policy to educational institutions to ensure the inclusion of disadvantaged students in online classes.

The use of e-learning in education in South Korea has been driven by a strong cooperation among the five key government players: the Ministry of Trade, Industry and Energy (MOTIE); the Ministry of Education (MOE); Ministry of Culture, Sports & Tourism (MSCT); the Ministry of Security & Public Administration (MOSPA); and the Ministry of Employment & Labour (MOEL). MOTIE has played a major role in bridging with other agencies and promoting activities with the National IT Industry Promotion Agency (NIPA). Furthermore, the Korea Education and Research Information Service (KERIS) has an exclusive role in planning implementation of the national ICT policy.[56]

54 https://www.kedi.re.kr/eng/kedi/cmmn/file/fileDown.do?menuNo=200067&atchFileId=FILE_000000000003427&fileSn=1&bbsId=

55 https://www.weforum.org/agenda/2020/11/lessons-from-south-korea-on-the-future-of-online-education/

56 http://kursobr.ru/images/e-learning.pdf

3.4 HEALTH AND ICT

e-Health is the cost- effective and secure use of ICT in support of health and health- related fields. e-Health is a key component of achieving universal health coverage and can facilitate the training of the health workforce, provide accurate and timely patient information through electronic health records, and improve the operations and financial efficiency of healthcare systems. It encompasses multiple interventions, including telehealth, telemedicine, mobile health, electronic medical or health records, big data, wearables, and even artificial intelligence. The role of e-health has been recognised as being pivotal in attaining overarching health priorities such as universal health coverage and the SDGs.[57]

ICT has transformed healthcare in many developing countries by competently distributing public health information and enabling consultation on health issues. There are various benefits of ICT in the healthcare sector, such as the ability to:

- promote patient-centred healthcare at a lower cost;
- improve the quality of care and information sharing among health workers;
- educate health professionals and patients – learning and training;
- encourage a new form of relationship between patients and healthcare providers;
- reduce travel time through telemedicine and obtain remote consultation, diagnosis, and treatment from specialists in distant hospitals; and
- monitor public health threats.

Case study 4: Estonia's digital health system

When COVID-19 hit Europe, many European countries found themselves looking for new ways of providing care, but in Estonia, life was going on as usual. The e-health system in Estonia, known as the Estonian Nationwide Health Information System, has been operational since the end of 2008.[58] With more than 99 percent of patient data generated by doctors and hospitals being digitalised, Estonians can easily access their data via a very secure online portal. e-Prescriptions and video consultations have already become "a new normal". Even deaths are registered online with notifications automatically sent to people's workplaces, tax offices, and the population registry. Estonian citizens are actively involved in key decisions about the healthcare system.[59]

Estonia's digital health success is due in large part to its government-wide commitment to digitalisation. Estonia established a common e-environment, with an ID card for secure authentication and a secure data-exchange layer. These basic elements have been in place since 2002. According to Estonia's e-Health Foundation, countries should not start with eHealth if their digital footprint is not in place. This is because eHealth is complex and difficult. The organisation also indicated that a trusted data exchange that is only for healthcare is much more costly and difficult to implement. The country had a lot of e-services already in place, an existing support environment, and general legislation that supported the idea that data belongs to the citizens.[60]

The key element in Estonia's pioneering approach is the Environment and Health Information System. This is a network for the exchange of health data which registers the entire population's complete history of illnesses. The system is designed to help shorten therapies and support diagnoses.

57 https://www.who.int/westernpacific/activities/using-e-health-and-information-technology-to-improve-health
58 http://ceur-ws.org/Vol-2336/MMHS2018_invited.pdf
59 https://inveritasoft.com/article-6-countries%E2%80%8B-that-are-transforming-healthcare-sector
60 https://inform.tmforum.org/features-and-analysis/2015/03/lessons-from-a-tiny-baltic-nation-on-how-to-deploy-digital-healthcare/

3.5 DIGITAL FINANCIAL SERVICES

According to Maddens (2016), there are two billion adults that have no access to basic financial services, which represents a barrier to reducing poverty and boosting socio-economic development. Financial inclusion ensures that individuals and businesses have access to useful and affordable financial products and services that meet their needs. Digital financial inclusion involves the deployment of cost-saving digital means to reach currently financially excluded and underserved populations with a range of formal financial services that are suited to customers' needs, responsibly delivered at an affordable cost, and sustainable for providers.[61] Banking the unbanked, like connecting the unconnected, is a major milestone towards universal growth and prosperity. At the nexus of technology and finance, digital financial inclusion can be a powerful driver towards achieving the SDGs. Collaborative regulation can and will lead digital financial inclusion onwards and upwards, boosting entrepreneurship and e-trade while enabling e-government services and sustainable living styles.[62]

Case study 5: The Kenyan journey to digital financial inclusion

M-Pesa started in 2007 as an electronic money transfer product that enables users to store value on their mobile phones. It is based on a platform of electronic units of money that can be used for multiple purposes, including transfers to other users, payments for goods and services, and conversion to and from cash.[63]

M-Pesa and similar digital financial services are representative of the mobile banking revolution in Kenya. Financial institutions have embraced M-Pesa as a platform to manage micro accounts, build customer deposits, and broaden their customer network. As a consequence, Kenya has emerged as a leader in financial inclusion in sub-Saharan Africa. In 2006, just before M-Pesa was launched, only 26.7 percent of Kenyans had access to formal financial services (such as bank accounts and money transfers); by 2016, this figure had risen to over 75 percent.[64]

M-Pesa was first developed as a bank product by a partnership between Safaricom, a telecommunication company, and the Commercial Bank of Africa. Since then, it has further evolved into a platform for a wide range of financial services such as virtual savings accounts in commercial banks. Harnessing the power of big data, M-Pesa now also operates as a channel of credit supply by commercial banks, microfinance institutions and cooperatives. In addition to domestic financial services, M-Pesa allows users to send and receive cross border remittances using their mobile phones.[65]

4 COLLABORATIVE APPROACHES AND RECOMMENDATIONS FOR REGULATORS

The regulatory treatment of new technologies requires careful consideration, including of whether existing regulation may already cover new technologies or applications. The cross-cutting nature of ICTs demands that regulators collaborate with other competent authorities to understand new technological deployments and how regulations will affect their use.

61 https://www.worldbank.org/en/topic/financialinclusion/publication/digital-financial-inclusion
62 https://gen5.digital/best-practices/gsr-16-collaborative-regulation-for-digital-financial-inclusion/
63 https://www.bsg.ox.ac.uk/research/publications/m-pesa-success-story-digital-financial-inclusion#:~:text=M%2DPesa%20started%20in%202007,value%20on%20their%20mobile%20phones.
64 https://www.geg.ox.ac.uk/publication/practitioners-insight-m-pesa-success-story-digital-financial-inclusion
65 https://aercafrica.org/wp-content/uploads/2021/03/AERC-MPesa-Case-Study.pdf

4.1 NEW TECHNOLOGIES AND EXISTING POLICY GOALS

The Namibian Government should use new technologies to support existing policy goals. The SDGs demonstrate that nearly all countries share the goal of extending the benefits of connectivity and information technology at an affordable cost to citizens. The Namibian government should therefore pursue this goal through national broadband plans, specific targets for expanding access, and comprehensive infrastructure investment plans as part of the National Development Plan. ICT connectivity in Namibia can also help support a wide array of policy goals in diverse areas such as education, healthcare, financial services, agriculture and disaster response,[66] as it was demonstrated during the pandemic period.

Recommendations:

- Policymakers in Namibia need to keep abreast of evolving technologies for delivering broadband, including their costs, benefits and technical capabilities, to understand what services they may enable for citizens and how regulatory frameworks will enable, inhibit or put at risk current access to emerging technologies or continued innovation.
- When developing national broadband plans and policies, Namibian stakeholders in the area of ICT should strive for technological neutrality, to allow the deployment and future evolution of different types of services and the development of innovative business models.

4.2 EFFECTIVE REGULATORY APPROACHES

Many emerging applications pose challenges to the traditional exercise of regulatory authority. As telecommunication regulators (the Communications Regulatory Authority of Namibia (CRAN)) update outdated rules or identify whether new ones are appropriate for new applications and technologies, other regulatory bodies (the Ministry of Information and Communication Technology (MICT), BoN, NAMFISA, the Electricity Control Board, etc.) may also be working on frameworks to address the introduction of ICTs into their sectors. Such fragmentation or overlap may pose a challenge to wide deployment and adoption of new technologies. Improved coordination across various competent authorities may help facilitate innovation and investment.

Recommendations:

- Namibian government departments, ministries, and regulatory authorities should identify appropriate methods for collaboration and coordination on common cross-sector issues to support more effective policy and regulatory frameworks (for example, through the creation of high-level inter-ministerial working groups), taking into account the diverse stakeholders in the deployment and use of ICTs.
- To alleviate challenges that would arise from having to comply with differing or competing regulatory requirements, Namibian policymakers should seek to avoid duplication of regulations.

4.3 AN ENABLING ENVIRONMENT FOR INVESTMENT AND INNOVATION

The economic benefits of internet and broadband penetration are well documented. Connectivity supports economic growth, productivity gains and development. The deployment of broadband and advanced network technologies often requires high capital investment. Namibia should create an enabling environment that stimulates innovation and investment. This means that both those put in charge of regulation and policymakers need to provide stability, predictability and transparency regarding any regulatory requirements. Furthermore, there should be test beds in place as well as direct support for research and development to stimulate innovation and investment in new technologies. Such projects will also allow for the adaptation of new technologies to local requirements.

Recommendations:

- The government and regulators in Namibia should promote and support pilot projects and test beds for new technologies and consider incentives to promote the adoption of ICTs.

66 https://www.itu.int/en/ITU-D/Conferences/GSR/Documents/ITU_EmergingTech_GSR16.pdf

- Namibian policymakers (CRAN, MICT, Ministry of Industrialisation, Trade and SME Development, Ministry of Finance, etc.) should create a positive and stable enabling regulatory environment – across all domains – in order to attract investment in new technologies and allow for innovation while not jeopardising the operation and future evolution of other networks.

4.4 BUILDING TRUST AND CONFIDENCE

New wireless technologies and applications will enable many new connections, and bring about an explosion of new means for collecting ever-increasing amounts of sometimes sensitive data. Additionally, growth in the number of interconnections between devices – both wireless and wired – as well as more complex networks increases potential points of failure. Trust and confidence in new and emerging technologies are fundamental and must be designed into the systems from the outset. Two key components to ensure trust and confidence are privacy and security.

Recommendations:

- Namibian national strategies to protect privacy must take into account a range of risks from a variety of different sources and adapt to existing regulations.
- CRAN and other regulators (BoN, NAMFISA, MICT, etc.) should stay abreast of the challenges posed by cyber threats, including the types of devices and information at risk, and be aware of their ever-changing nature.
- Addressing cybersecurity challenges requires multi-pronged approaches including: (a) strong public-private cooperation; (b) embracing international collaboration and best practices; (c) stronger domestic laws, governance systems and capacity; and (d) education efforts.

5 CONCLUSION

Without the proper collaboration, development and deployment of digital technology, Namibia will fall short of achieving the 2030 SDGs. Adopting a "Digital with Purpose" mindset is urgently required to achieve the market transformation that will foreground sustainability. Overall, to maximise the opportunities that digital technologies provide for our future requires a recommitment to the UN SDG 2030 Agenda. The digital sector needs to be more inclusive in terms of access to technology, more ambitious in terms of scaling impact, and more responsible in terms of its own operations. Finally, there needs to be greater intentionality and transparency of impact, and a better understanding of how digital technologies can be deployed to positive effect whilst minimising negative externalities.

Digital transformation affects different parts of the economy and society in complex and interrelated ways, making trade-offs between public policy objectives difficult to navigate. Leveraging the benefits and addressing the challenges of digital transformation requires co-ordination across all policy domains. It also requires the consideration of transversal policy issues (e.g. skills, digital government and data governance) that cut across several of the framework's policy dimensions.[67]

Coordination entails the involvement of a wide range of actors across multiple parts and levels of government as well as the participation of non-governmental stakeholders and international partners. A whole-of-government approach, however, may prove challenging. For example, high transaction costs, power and information asymmetries, and different governance approaches across different levels of government can make co-ordination and negotiations cumbersome.

While well designed governance is fundamental for effective coordination, there is no one-size-fits-all approach. Different approaches can reflect, for example, variations in state institutions, the organisation of government, or administrative culture and capacity. In addition, governance arrangements are likely to evolve over time, for example with changes in government, technological progress, and shifts in the constellation of actors driving digital transformation.

67 https://www.oecd-ilibrary.org/sites/c5b3ea5d-en/index.html?itemId=/content/component/c5b3ea5d-en

There is a need to establish a national Digital Innovation Hub to act as a one-stop-shop, serving companies within their local regions and beyond to digitalise their business operations. There is a need for the establishment of a national digital hub which could serve as a support facility that helps companies to become more competitive by improving their business/production processes, products and services by means of digital technology. Such a hub will hold significant potential to support and assist SMEs and start-ups and could become a key actor in bringing digitisation within the reach of all industry sectors. It is also important to provide advisory services and training to regional digital innovation hubs to help them develop more commercially oriented business models, which could lead to a more diversified funding mix, reducing dependencies on public sources. Various stakeholders should be involved and pilot the hub, such as CRAN, MICT, the Ministry of Industrialisation, Trade and SME development, the Ministry of Finance, financial institutions and private entities.

Part E:
Statistical Tables

METHODS AND CONCEPTS

BALANCE OF PAYMENTS

Accrual accounting basis
This applies when an international transaction is recorded at the time when ownership changes hands, and not necessarily at the time when payment is made. This principle governs the time of recording for transactions; transactions are recorded when economic value is created, transformed, exchanged, transferred or extinguished.

Double-entry accounting
The basic accounting conversion for a balance of payment statement is that every recorded transaction is represented by two entries with exactly equal values. Each transaction is reflected as a credit (+) and a debit (-) entry. In conformity with business and national accounting, in the balance of payment, the term: credit is used to denote a reduction in assets or an increase in liabilities, and debit a reduction in liabilities or an increase in assets.

Balance of Payments
The balance of payments (BOP) is a statistical statement that systematically summarises transactions between residents and non-residents during a period. It consists of the goods and services account, the primary income, the secondary income, the capital account, and the financial account for a specific time period, the economic transactions of an economy with the rest of the world. Transactions, for the most part between residents and non-residents, consist of those involving goods, services, and income; those involving financial claims and liabilities to the rest of the world; and those (such as gifts) classified as transfers. It has two main accounts viz, the current account and financial account. Each transaction in the balance of payments is entered either as a credit/asset or a debit/liability. A credit/asset transaction is one that leads to the receipts of payment from non-residents. Conversely, the debit/liability leads to a payment to non-residents.

Residency
In the balance of payments, the concept of residency is based on a sectoral transactor's center of economic interest. Country boundaries recognised for political purposes may not always be appropriate for economic interest purposes. Therefore, it is necessary to recognise the economic territory of a country as the relevant geographical area to which the concept of residence is applied. An institutional unit is a resident unit when it has a center of economic interest in the territory from which the unit engages in economic activities and transactions on a significant scale, for a year or more.

Current Account
The current account balance shows flows of real resources or financial in the goods, services, primary income, secondary income and capital transfers between residents and non-residents. The current account balance shows the difference between the sum of exports and income receivable and the sum of imports and income payable (exports and imports refer to both goods and services, while income refers to both primary and secondary income).

Merchandise Trade Balance
This is the net balance of the total export and import of goods excluding transactions in services between residents and non-residents.

Goods
These are real transactions with change in the ownership of physical products and include consumer and capital goods.

Primary Income
Income covers two types of transactions between residents and non-residents: (i) those involving compensation of employees, which is paid to non-resident workers (e.g. border, seasonal and other short-term workers), and (ii) those involving investment income receipts and payments on external financial assets and liabilities. Included in the latter are receipts and payments on direct investment, portfolio investment and other investment and receipts on reserve assets. Income derived from the use of a tangible asset e.g., car rental by a non-resident is excluded from income and is classified under services such as travel.

Secondary Income
The secondary income account shows current transfers between residents and non-residents. Various types of current transfers are recorded in this account to show their role in the process of income distributions between the economies. Transfers may be made in cash or in kind.

Capital Account
The capital account shows credit and debit entries for non-produced non-financial assets and capital transfers between residents and non-residents. It records acquisitions and disposals of non-produced non-financial assets, such as land sold to embassies and sales of leases and licenses, as well as capital transfers, that use the provision of resources for capital purposes by one party without anything of economic value being supplied as a direct return to that party.

Net Lending /Net borrowing
The sum of the balances on the current and capital accounts represents the net lending (surplus) or net borrowing (deficit) by the economy with the rest of the world. This is conceptually equal to the net balance of the financial account. In other words, the financial account (net change in financial assets minus net incurrence of liabilities) measures how the net lending to or borrowing from non-residents is financed.

Financial Account
The financial account of the balance of payments consists of the transactions in foreign financial assets and liabilities of an economy. The foreign financial assets of an economy consist of holdings of monetary gold, IMF Special Drawing Rights and claims on non-residents. The foreign financial liabilities of an economy consist of claims of non-residents on residents. The primary basis for classification of the financial account is by functional category in the following order; direct, portfolio, other investment and reserve assets.

Direct Investment
Direct investment refers to a lasting interest of an entity resident in one economy (the director investor) in an entity resident in another economy (the direct investment enterprise), with an ownership of 10 per cent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise).

Portfolio Investment
Portfolio investment is defined as cross border transactions and positions involving debt or equity securities, other than those included in direct investment or reserve assets.

Other Investment
Other investment covers all financial instruments other than those classified as direct investment, portfolio investment or reserve assets.

Reserve Assets
Reserve assets consist of those external assets that are readily available to and controlled by monetary authority for the direct financing of payments imbalances, for indirectly regulating the magnitude of such balances through intervention in exchange markets to affect the currency exchange rate, and/or for other purposes.

Net Errors and Omissions
Theoretically, balance of payment accounts are in principle "balanced", however, practically, imbalances will arise due to imperfections in the source of data and its quality. This will usually necessitate a balancing item to measure the difference between recorded credits and or debits and omissions. This is what is referred to as net errors and omissions.

MONETARY AND FINANCIAL STATISTICS

Repo rate
The rate charged by the Bank of Namibia on advances on specific collateral to Commercial banks. The Repo rate is the cost of credit to the banking sector and therefore eventually affects the cost of credit to the general public.

Depository Corporations Survey
The Depository Corporations Survey is a consolidation of the Central Bank Survey and the Other Depository Corporations Survey.

Bond
A security that gives the holder the unconditional right to a fixed money income or an income linked to some index, and except for perpetual bonds, an unconditional right to a stated fixed sum or a sum linked to some index on a specified date or dates.

Currency in circulation
Consist of notes and coins that are of fixed nominal values and are issued by central banks and governments. Currency is the most liquid financial asset and is included in narrow and broad money aggregates.

Narrow Money Supply (M1)
Narrow Money Supply (M1) is defined to include currency in circulation and transferable deposits of resident sectors, excluding Central Government and depository corporations.

Broad Money Supply (M2)
Broad Money Supply (M2) is defined to include currency outside depository corporations, transferable and other deposits in national currency of the resident sectors, excluding deposits of the Central Government and those of the depository corporations.

Transferable Deposits
These are deposits that are exchangeable without penalty or restriction, on demand and are directly usable for making third party payments.

Other Depository Corporations (ODCs)
The ODC sub-sector consists of all resident financial corporations (except the Central Bank) and quasi-corporations that are mainly engaged in financial intermediation and that issue liabilities included in the national definition of broad money. There are currently eighteen financial intermediaries classified as ODCs in Namibia, i.e. First National Bank of Namibia, Standard Bank of Namibia, Nedbank Namibia, Bank Windhoek, Letshego Bank, Banco Atlantico, Trustco Bank Namibia, Agribank of Namibia, National Housing Enterprise, Namibia Post Office Savings Bank, Bank BIC, Stanlib Unit Trust, Ashburton, M & G Investments, Sanlam Unit Trust, Old Mutual Unit Trust, Capricorn Unit Trust, Ninety One and Hangula Capital.

Other Deposits
The other deposit category comprises all claims, other than transferable deposits, that are represented by evidence of deposit. Different forms of other deposits are e.g. savings and fixed investments. Other deposits is thus a component of broad money supply.

Other Financial Corporations (OFCs)
The OFC sub-sector at this stage consists of a sample of resident pension funds, insurance corporations and development finance institutions.

Deposit rate
The deposit rate refers to the weighted average deposit rate of the Commercial banks i.e. the rate that ODCs declare on other deposits (e.g. time deposits).

Dual-listed Companies
Refer to those companies listed and trading on two stock exchanges, such as the Johannesburg Stock Exchange as well as on the NSX.

Lending rate
The lending rate refers to the weighted average lending rate, i.e. the rate charged by ODCs to borrowers.

Local Market in terms of NSX
Only local (Namibian) companies listed on the NSX.

Market Capitalisation
Market Capitalisation is the total market value of a company's issued share capital. It is equal to the number of fully paid shares listed on the NSX multiplied by the share price.

Free-float Market Capitalisation
Free-float market capitalisation is the value of shares held by investors who are likely to be willing to trade. It is a measure of how many shares are reasonably liquid.

Market Turnover
Volume of shares traded on the NSX multiplied by the share price.

Market Volume
The number of shares traded on the NSX.

Money Market rate
The money market rate refers to the inter-bank interest rate; the rate at which ODCs extend credit to each other.

Money Market Unit Trust (MMU)
The MMU sub-sector consists of all resident unit trust companies that have money market funds. There are currently seven of those companies in Namibia: Ashburton, Stanlib Unit Trust, Prudential, Sanlam Unit Trust, Old Mutual Unit Trust, Capricorn Unit Trust and Investec.

Mortgage rate
The rate charged on a loan for the purpose of financing construction or purchasing of real estate.

Overall Market in terms of NSX
Refers to all companies, local as well as foreign, listed on the NSX.

Prime rate
The rate of interest charged by Other Depository Corporations (ODC's) for loans made to its most credit-worthy business and industrial customers; it is a benchmark rate that banks establish from time to time in computing an appropriate rate of interest for a particular loan contract.

Real Interest rate
The rate of interest adjusted to allow for inflation; the nominal interest rate less the rate of inflation for Namibia, is the real interest rate.

PUBLIC FINANCE

Social sector
The social sector is composed of the following sub-sectors:

- Education, arts and culture
- Gender equality and child welfare
- Health and social services
- Sports, Youth and National services
- Veterans Affairs
- Poverty eradication and social welfare
- Higher education, training and innovation

Public safety sector
The public safety sector is composed of the following sub-sectors:

- Home affairs and immigration
- Safety and Security
- Defense
- Justice
- Judiciary
- Anti-corruption commission
- Attorney General

Infrastructural Sector
The infrastructural sector is composed of the following sub-sectors:

- Works
- Transport
- Information and communication technology

Administration Sector
The administration sector is composed of the following sub-sectors:

- Office of the President
- Office of the Prime Minister
- National Assembly
- Auditor General
- International Relations and Cooperation
- National Council
- Labour, industrial relations and employment creation
- Urban and rural development
- Electoral commission

Economic Sector
The economic sector is composed of the following sub-sectors:

- Finance
- Mines and energy
- Environment and tourism
- Industrialisation, trade and SME development
- Agriculture, water and forestry
- Fisheries and marine resources
- Land reform
- National planning commission
- Public Enterprises

PART A

ESTABLISHMENT AND GOVERNANCE OF THE NDGA

CORPORATE CHARTER

The Namibia Deposit Guarantee Authority (NDGA) is guided by the principles of good corporate governance in fulfilment of its strategic objectives and mandate. The NDGA was established in terms of the Namibia Deposit Guarantee Act, 2018 (No. 16 of 2018) to maintain and manage the Deposit Guarantee Scheme. The Scheme is aimed at compensating depositors efficiently and transparently in the event of member institutions' failure.

The NDGA aspires to be a credible body committed to ensuring the protection of depositors against the risk of loss of their deposits. In pursuit of this vision, the NDGA's staff members, its Board and anyone else acting on behalf of the NDGA are guided by core values to ensure that the Authority delivers on its mandate while ensuring its credibility. Our Corporate Charter is our guiding tool in pursuit of our mandate.

Our Vision

To be a credible institution committed to ensuring the protection of depositors.

Our Mission

To establish and administer a deposit guarantee scheme for the protection of depositors against risk of loss of their deposits.

Our Core Values

- **INTEGRITY –** We are truthful and honest in all areas of our professional and personal lives
- **PROFESSIONALISM –** We conduct ourselves in a professional manner at all times in the execution of our duties and when engaging with our stakeholders
- **TRANSPARENCY –** We pride ourselves on providing complete information when required and authorised to do so.
- **ACCOUNTABILITY –** We are accountable to our principals and stakeholders and take full responsibility for our actions.

ESTABLISHMENT OF THE NDGA

The existence of a deposit guarantee or insurance scheme is a crucial consideration for any regulatory structure aimed at protecting small depositors while safeguarding financial stability. The Namibia Financial Sector Strategy (NFSS) 2011–2021, which was developed by the country's financial authorities and stakeholders, advocated for such a safety net to be put in place to protect small depositors. This development was informed by global markets and countries that responded to bank failures by establishing such schemes. To create the required safety net, the NFSS called for a study to be conducted to determine the feasibility and appropriate format of a deposit guarantee and resolution scheme for Namibia. After such a study had been concluded, it recommended that Namibia consider establishing a Deposit Guarantee Scheme in line with international practice, developments in the southern African region, and in consideration of Namibia's growing banking industry. The primary objective of the envisaged Scheme was to protect depositors in the event of a member institution failure.

The Namibia Deposit Guarantee Authority (NDGA) was therefore established via legislation and became fully operational in 2020. In line with its mandate, the NDGA maintains and manages a Deposit Guarantee Scheme, whose main objectives are (1) to protect a high percentage of depositors against the loss of their deposits by providing compensation in the event of a member institution failure, and (2) to enhance financial stability by way of insuring a portion of the total deposits held by the banking sector. The existence of a deposit guarantee system ensures that depositors have access to all or part of their funds in the event of a member institution failure. It is also meant to prevent panic withdrawals by assuring depositors of the safety of their deposits even in the event of such failures, thereby reducing the likelihood and scale of a systemic crisis.

In respect of the coverage limit, the initial threshold is set at N$25,000 per depositor. This limit is high enough to ensure that 90 percent of depositors receive their deposits back in full. However, because of a relatively small number of depositors holding large deposits, only about five percent of the total value of insurable deposits would be covered in full. This will leave the larger depositors exposed and vulnerable to risk, thereby rendering the potential threat of moral hazard very small.

Mandate and powers

The Authority's mandate and powers are provided for by the Namibia Deposit Guarantee Act, 2018 (No. 16 of 2018, hereafter the Act). The NDGA is an independent juristic entity, but it is administered within the existing structures of the Bank of Namibia. This was considered as the most cost-effective way of running the Authority. In pursuit of its strategic objectives and mandate, the NDGA has clearly specified powers that enable it to:

- provide insurance, in accordance with the provisions of the law, against the loss of deposits
- collect premiums from member institutions in accordance with the provisions of the law
- administer the Deposit Guarantee Fund
- assess claims made against the Fund by depositors and determine the eligibility and entitlement of claimants in accordance with the provisions of the NDGA Act
- keep the public informed of the benefits and limitations of the deposit guarantee system, and
- engage in public awareness programmes aimed at increasing financial literacy to ensure depositors are better informed.

Scheme membership and coverage

The Act requires that all banks, branches of foreign banks, and building societies who are authorised to conduct business in Namibia are to become members of the Deposit Guarantee Scheme. This is in line with many deposit guarantee or insurance schemes around the world which have mandated the compulsory participation of deposit-taking institutions in their deposit guarantee system.

The Scheme covers specified types of deposits. Most types of deposits received by a bank or building society in its usual course of business, such as savings and call or other term deposits, are covered by the Scheme. Notable exclusions are foreign currency accounts and tradeable debt and deposit instruments. The latter include negotiable certificates of deposit and deposits of institutions regulated and supervised by the Namibia Financial Institutions Supervisory Authority (NAMFISA), e.g. pension funds and investment managers. Deposits from institutions in which the Namibian Government is a shareholder are also not covered.

The Scheme adopts a predetermined coverage limit per depositor in respect of the total of all their deposits at a member institution that has failed. Thus, where a depositor holds more than one deposit in a failed banking institution, the value of all deposit accounts held there by that depositor will be added together and the claimant will be compensated up to the maximum coverage limit. The coverage limit is determined per depositor, therefore, and not per deposit. The Board regularly reviews this guaranteed coverage threshold, which is currently set at N$25,000. This threshold ensures that a significant number of small depositors are covered in the event of a bank or building society failure. By the end of 2021, the Deposit Guarantee Fund fully covered 90.7 percent of total depositors at the set threshold. Full coverage decreased only marginally in comparison with the 91.2 percent recorded for the end of the previous reporting year.

The Scheme also provides partial coverage for depositors with deposit values above the coverage limit, i.e. above N$25,000 in total deposits. These partially covered depositors are also eligible to receive a reimbursement up to the threshold value. By the end of the review period, partially covered depositors constituted 9.3 percent of total depositors, a slight increase from 8.8 percent recorded by the end of 2020. For deposits above N$25,000, the depositors would typically be concurrent creditors of the member institutions involved. Furthermore, it is worth noting that any additional increases in the maximum amount per depositor covered will be minimal from a depositor-coverage point of view. This is because such increases will have a limited impact on the number of additional depositors that are fully covered, while the costs would increase exponentially.

Table 1: Summary estimates of deposits and depositor coverage, 31 December 2021

At N$25,000 coverage	Fully covered	Partially covered	Total
Value of qualifying deposits (N$)	3,044,056,576	63,795,097,479	66,839,154,056
Share of total qualifying deposits	4.5%	95.4%	100.0%
Number of depositors	1,330,992	136,043	1,467,035
Share of total depositors	90.7%	9.3%	100.0%

Funding

A deposit guarantee authority requires a sustainable funding model to ensure that depositors' claims are reimbursed speedily and effectively. In most countries with deposit guarantee schemes, banking institutions bear the primary responsibility for paying the cost of such a scheme because they and their clients benefit directly from it. The funding of a deposit guarantee scheme can take an ex-ante, ex-post or hybrid form. *Ex-ante funding* of such schemes refers to funds being accumulated and maintained to cover deposit guarantee claims prior to the failure of a bank or building society. This form of funding primarily involves member premiums. In the *ex-post funding* model, funds to cover deposit guarantee claims are only collected from members when a bank or building society fails. The *hybrid funding* system involves the collection of funds through the ex-ante approach but, when there is a shortfall, provision is made for a mechanism for obtain further funds ex-post from members and/or to borrow from the government or the market.

The NDGA's Deposit Guarantee Scheme has adopted an ex-ante approach with borrowing powers. This is regarded as a more equitable strategy for the NDGA as the cost of the deposit guarantee is spread over time, which prevents it from becoming too expensive. All member institutions contribute premiums to the Deposit Guarantee Fund. The NDGA's main source of income for the Fund and to cover the Fund's associated expenses, therefore, comprises premium contributions collected from member institutions once a year by the Scheme's administrators. These premiums are calculated with reference to the size of each member institution's deposit base as well as its risk score determined by the Bank of Namibia.

Annual premiums differ significantly between member institutions according to their risks. Member premiums to the Fund are based on two principles, as follows:

- Premiums are based on four risk categories:
  - Category 1: 8 basis points
  - Category 2: 16 basis points
  - Category 3: 32 basis points
  - Category 4: 64 basis points
- Premiums are determined according to the 'double-up principle', i.e. premiums for the highest-risk member institutions are eight times higher than those for their lowest-risk counterparts.

These two principles are designed to ensure that the NDGA is fair in setting its annual premiums, that it remains sustainable, and that it can respond to a member institution failure in a timely and effective manner. Premiums for higher-risk member institutions are higher than those with lower risks since the likelihood of higher-risk institutions failing is higher than it is for their lower-risk counterparts.

The Determination (DGD-6, gazetted on 1 April 2020), which deals with premiums payable as per risk categories, established that all Scheme members were regarded as Category 1 until the end of 2021. This allowed members to prepare themselves for the differentiated risk-based premium structure to be implemented in 2022 which will penalise bad and reward good risk management. As from 2022, a banking institution's premium will be based on its respective risk category (see Part B herein for more detail).

GOVERNANCE

Adopting principles of good governance is crucial for the NDGA to operate effectively. The Authority is operationally independent, accountable, and free from external interference and influence. Although the NDGA falls under the Bank of Namibia in respect of its day-to-day administrative functions, an independent Board of Directors assumes responsibility for oversight of, and policy formulation for, the Authority. The Act requires the Authority to prepare annual reports and annual financial statements that must be presented to the Minister of Finance and Parliament for scrutiny.

Board of Directors

The NDGA is managed by a Board of Directors, as provided for in section 6 of the Act. The Board is responsible for formulating general policy for the Authority as well as for exercising control over its affairs. In addition, the Board is responsible for adopting rules for the Authority's proper administration and functioning, for fulfilling the functions and exercising the powers assigned to it in the NDGA Act, and for advising the Minister on any relevant and related matters. In accordance with section 6(2) of the Act, the Board consists of the following persons who are appointed by the Bank of Namibia subject to the Finance Minister's approval:

- The Deputy Governor of the Bank of Namibia, as referred to in Article 128(2) of the Namibian Constitution and as appointed in terms of section 4(2)(b) of the Bank of Namibia Act, 2020 (No. 1 of 2020), who then serves as the Board Chairperson
- A representative from the Ministry of Finance, who is nominated by the Minister of Finance
- Two persons with relevant qualifications and experience in the field of law, banking, finance, accounting or any other field relevant to the functions of the Board
- A person representing the interests of consumers, and
- A Head of the Authority, who is an *ex officio* member of the Board with no voting rights.

The NDGA Board of Directors was made up as follows during the year under review in respect of the portfolios specified:

Ebson Uanguta
Chairperson, Non-executive Director
(Macroeconomics, Regulation and Monetary Policy)

Linda Dumba Chicalu
Deputy Chairperson, Non-executive Director
Member: Audit, Risk and Investment Committee
(Legal and Consumer Protection)

Festus Nghifenwa
Non-executive Director
Member: Audit, Risk and Investment Committee
(Macroeconomic and Fiscal Policy)

Kenneth S.Matomola
Non-executive Director
(Finance and Banking, Regulation)

Ulrich Eiseb (deceased)
Non-executive Director
Chairperson: Audit, Risk and Investment Committee
(Accounting and Finance)

Emma Haiyambo
Executive Director (Ex officio)
(Macroeconomic Policy and Development Finance)

Herman Shilongo
Non- executive Director
(Accounting and Finance)

In line with the NDGA Act and to observe good corporate governance, the Board meets regularly to oversee and monitor the Authority's finances, operations and policies. An important element of the governance structure is that the Board establishes and delegates certain functions to committees. Since the first year of the Authority's existence and considering its administrative set-up, the creation of only one committee was deemed necessary. Thus, the establishment of the Audit, Risk and Investment Committee is in line with section 14 of the NDGA Act, which states that the Board may establish one or more committees consisting of Directors to assist and advise it in exercising its powers and performing its functions or duties.

BOARD MEMBERS OF THE NDGA

Ebson Uanguta
Chairperson, Non-executive Director
(Macroeconomics, Regulation and Monetary Policy)

Linda Dumba Chicalu
Deputy Chairperson, Non-executive Director
Member: Audit, Risk and Investment Committee
(Legal and Consumer Protection)

Festus Nghifenwa
Non-executive Director
Member: Audit, Risk and Investment Committee
(Macroeconomics and Fiscal Policy)

Kenneth S.Matomola
Non-executive Director
(Finance and Banking, Regulation)

Ulrich Eiseb (deceased)
Non-executive Director
Chairperson: Audit, Risk and Investment Committee
(Accounting and Finance)
(Served until 20 March 2021)

Emma Haiyambo
Executive Director (Ex officio)
(Macroeconomics Policy and Development Finance)

Herman Shilongo
Non- executive Director
(Accounting and Finance)
(Served from 1 October 2021)

Audit, Risk and Investment Committee

The Audit, Risk and Investment Committee assists the Board of Directors in implementing effective policy and planning for risk management and internal control to enhance the Authority's ability to achieve its strategic objectives and ensure its sustainability. The Committee is specifically responsible for matters related to financial reporting, internal control systems, risk assessment, oversight of external audit functions, and the review of investment policies and functions, while it also executes all other powers and functions as may be delegated or assigned to it by the Board. As such, the Committee is required to deliver regular reports to the Board in respect of matters for which it is responsible, since the Board remains the overall custodian of the Authority's good corporate governance. The independence of the Committee is of importance in compliance to the principles of good governance. It is for this reason that the Committee comprises of three independent directors and one ex officio member with no voting rights.

Management and administration

In 2021, the NDGA continued to be managed and administered by part-time staff seconded by the Bank of Namibia in line with the Service Level Agreement between the two entities. This arrangement was still considered the most cost-effective for the reporting period, given the Authority's infancy. The seconded staff during the year under review were as follows:

Emma Haiyambo
Head of the NDGA

Petrus Shifotoka
Principal Economist

Emile Van Zyl
Technical Advisor

Emma Haiyambo
Head of the NDGA

Petrus Shifotoka
Principal Economist

Emile Van Zyl
Technical Advisor

INFORMATION BOX

GUIDELINES AND PROCEDURES FOR REIMBURSING DEPOSITORS IN THE EVENT OF A MEMBER INSTITUTION'S FAILURE

CONTENT

1. INTRODUCTION

The Namibia Depository Guarantee Authority (NDGA) was established in terms of section 2 of the Namibia Deposit Guarantee Act, 2018 (No. 16 of 2018). The Authority is mandated to establish and manage a Deposit Guarantee Scheme aimed at ensuring the speedy and transparent compensation of depositors if their deposits at the Scheme's member institutions become unavailable. The NDGA's effective and efficient intervention if a member institution should fail is critical for financial stability and confidence in the banking system. Similarly, prompt and accurate reimbursement is crucial for maintaining public confidence in the stability of the financial system, as well as the Deposit Guarantee Scheme itself.

2. PURPOSE AND OBJECTIVES OF THE GUIDELINES

The purpose of these Guidelines is to ensure that the NDGA has reimbursement processes and procedures as well as information systems in place to compensate depositors in the event of a member institution failure. The Guidelines specify the principles underlying the establishment of a reimbursement system and define the procedure for reimbursing depositors. The Guidelines also note the conditions the NDGA is required to meet to execute the reimbursement process effectively and efficiently. The principles contained in the Guidelines have been adopted from the International Association of Deposit Insurers and are based on international best practices.

3. PRINCIPLES FOR THE ESTABLISHMENT OF THE REIMBURSEMENT SYSTEM

The Authority is guided by the following principles in developing an effective reimbursement system:

3.1 **Information accessibility:** It is important that the NDGA has access to depositor records at all times and undertakes preparatory reviews of bank or building society deposit liability records to a smooth acquisition or transfer of the deposit book of the troubled institution to another member institution.

3.2 **Single Customer View:** The NDGA needs to ensure a Single Customer View system is implemented. This system puts the NDGA, the Bank of Namibia and other relevant stakeholders in a position where they will quickly have all the information required for an informed decision.

3.3 **Effective on-site examination of records:** Independently or together with officials of the Bank of Namibia, the NDGA is required to carry out on-site examinations of deposit records to verify their accuracy and to reduce the time needed for calculating and verifying depositors' claims.

3.4 **Contingency plans and systemic regulatory testing capability:** The NDGA is required to have contingency plans in place for, and to schedule regular tests of, its systems as well as take any other action to facilitate these processes, including appointing agents to do so where necessary.

3.5 **Effective and timely communication with depositors:** The Authority is required to provide depositors with all the necessary information on the steps being taken when a Scheme member institution fails. The NDGA is also required to set out the scope and limits of coverage and product insurability and communicate these to depositors clearly and in good time to mitigate confusion.

4. ESSENTIAL CRITERIA FOR A PROMPT AND EFFECTIVE RESPONSE

The following criteria and requirements, as prescribed by the NDGA Act and the International Association of Deposit Insurers, are necessary for an effective intervention:

4.1 In the event deposits become unavailable, the first – and preferred – option would be to ensure the deposit book of the failed member institution are acquired by another member. The second option would be to reimburse depositors as per the procedures and requirements outlined in these Guidelines and in line with the NDGA Act, its Regulations and relevant Bank of Namibia Determinations.

4.2 To expedite the acquisition of a failed member institution's deposit book by another member, the NDGA needs to employ a technology-based system to process depositor information in a systematic and accurate manner. The Authority should therefore develop a system that is compatible with those of the banking industry.

4.3 An independent auditor appointed by the NDGA needs to confirm that the deposits transferred to another member institution have been processed and recorded correctly according to the Authority's instructions. The NDGA bears the associated costs.

4.4 The Authority is required to consider other options if the deposit book acquisition option is not feasible, including a direct reimbursement of Depositors.

4.5 The Authority is required to communicate the payment methods and timing for payments clearly to depositors as part of a comprehensive communications strategy to manage public expectations. This strategy should be executed via such platforms and channels as the Authority deems effective.

4.6 Adequate resources and trained personnel should be made available to ensure readiness in undertaking the required processes. Where internal resources are insufficient, a contingency plan should be in place to augment them when necessary.

5. THE INTERVENTION PROCESS AND PROCEDURE

5.1 On being informed that deposits for a particular member institution have become unavailable, the NDGA is required to compile a deposit register detailing the balance of each qualifying deposit account. The external auditor of the failed bank or building society concerned then needs to confirm that the data and information in the deposit register matches that on the failed banking institution's systems.

5.2 Once the NDGA has been informed by a banking institution that its funds have become unavailable, the Authority is required to inform the depositors affected of the procedures that will be followed to deal with the situation.

5.3 If implementing the first and preferred option is not feasible and a claims procedure is adopted, the NDGA needs to inform depositors about their right to claim from the Deposit Guarantee Fund. This includes, without limitation, information on how to lodge a claim, who has been appointed to process claims, and where claims can be lodged.

5.4 Balances in more than one account benefiting the same person are aggregated and reimbursed to the maximum limit, which is currently N$25,000 per depositor.

5.5 The Authority is required to publicise relevant information to ensure the public is aware of how the failed banking institution's deposit book is to be transferred to a similar institution or how depositors will be compensated.

5.6 In compliance with section 11(d) of the Prescription Act, 1969 (No. 68 of 1969), claims for payment from the Fund, or from a member institution to which the deposits were transferred as per points 4.1 and 4.2 of these Guidelines, need to be submitted within three years from the date the NDGA becomes obliged to make a payment to a depositor.

5.7 A depositor claiming from the Fund is required to provide proof of entitlement to payment as determined by the Authority before payment of a guaranteed deposit can be effected.

5.8 The NDGA needs to arrange to pay depositors through the medium they indicate in their claim form.

5.9 Unclaimed funds are to be kept in a separate investment or banking institution account as determined by the NDGA, and all interest accrued on such account will be in favour of the depositors. All funds still not claimed after a prescribed period has lapsed will be transferred to the Fund together with any interest accruals. A detailed analysis needs to be made of the composition of the amount thus transferred to the Fund and should be kept readily available for possible future inspection.

6. CONDITIONS FOR REIMBURSING DEPOSITORS

Where depositors are to be reimbursed, the Authority is only permitted to pay out guaranteed deposits after the Bank of Namibia has notified it in writing that deposits from a member institution have become unavailable. When receiving such a notification, the Authority is required, in the manner it determines, to –

6.1 notify the affected depositors of the bank or building society concerned as well as members of the public that their deposits have become unavailable

6.2 for depositors whose deposit amounts exceed the maximum deposit guarantee coverage limit, issue them with a certificate indicating that their deposits exceed the limits covered by the Scheme

6.3 for depositors whose deposit amounts exceed the maximum deposit guarantee coverage limit, inform them of the procedures to be followed in claiming from the Fund. This includes, without limitation, information on how to lodge a claim, who has been appointed to process claims, and where claims can be lodged, and

6.4 publicise any other relevant information to ensure the public is aware of the process of paying compensation to depositors. Where the Authority is required to make payments from the Fund, such payments need to commence as soon as possible, whether via –

(a) cash

(b) a transfer of funds to the guaranteed depositor's account at another member institution, or

(c) any other lawful payment method approved by the Board.

The NDGA is only obliged to pay guaranteed deposits as stipulated by the NDGA Act, its Regulations and Determinations, and only once it has been duly notified that the deposits of a banking institution have become unavailable.

7. CONDITIONS FOR REIMBURSEMENT PAYABLE ON UNAVAILABILITY

7.1 Where a member institution's deposits become unavailable, a depositor is entitled to reimbursement from the Fund up to the maximum coverage limit of N$25,000 in respect of a guaranteed deposit that the –

(a) depositor holds in his or her own right, or

(b) person holds as a trustee, curator or liquidator.

7.2 Where a depositor holds more than one deposit in a member institution, all deposit accounts held by that depositor in such institution need to be added together and protected up to the maximum coverage limit.

7.3 Where a deposit is held in the names of two or more persons, that deposit needs to be regarded as a single deposit. The conditions that applied at the time the joint account was opened will also apply when compensation is paid from the Fund.

7.4 Within the specified period after receipt of a claim, the Authority is required to pay out the guaranteed deposit to a depositor who has lodged such claim in accordance with law.

8. PLEDGED DEPOSITS

8.1 A *pledge* entails an arrangement or agreement whereby a depositor offers a deposit s/he holds in a member institution to a creditor as security for the repayment of a debt or other obligation owed or due to the creditor.

8.2 The Authority is not permitted to pay out in full or in part to a depositor any deposit that has been pledged by such depositor to a creditor unless that creditor has given written consent to the Authority to make the payment.

9. SUBROGATION OF AUTHORITY

9.1 Once a deposit has been paid compensation in terms of section 34 of the NDGA Act, the Authority is subrogated, up to the amount of such compensation, to any rights and remedies in respect of the guaranteed deposit concerned that may be vested in or become available to the depositor.

9.2 The effect of the Authority paying a depositor in terms of point 9 of these Guidelines is that:

(a) the member institution concerned becomes liable to the Authority for an amount equal to the Authority's payment, in all respects as if the Authority rather than the depositor had deposited that amount with the institution before its deposits became unavailable, and

(b) the liability of the relevant member institution to the depositor concerned is reduced by an amount equal to the Authority's payment.

9.3 The Authority is entitled to institute an action in respect of its rights and interest in the name of a depositor or under its own name.

9.4 No payment is permitted to be made to a depositor by an insolvent member institution or its liquidator unless full satisfaction has been given to the Authority for any amount which the Authority has paid to the depositor.

9.5 Any payment made in contravention of point 9.4 of these Guidelines is void and any amount so paid and any interest associated with it is a debt due to the Fund, and the Authority may recover such amount and such interest from the member institution concerned by way of proceedings in a court of competent jurisdiction.

PART B

THE YEAR UNDER REVIEW

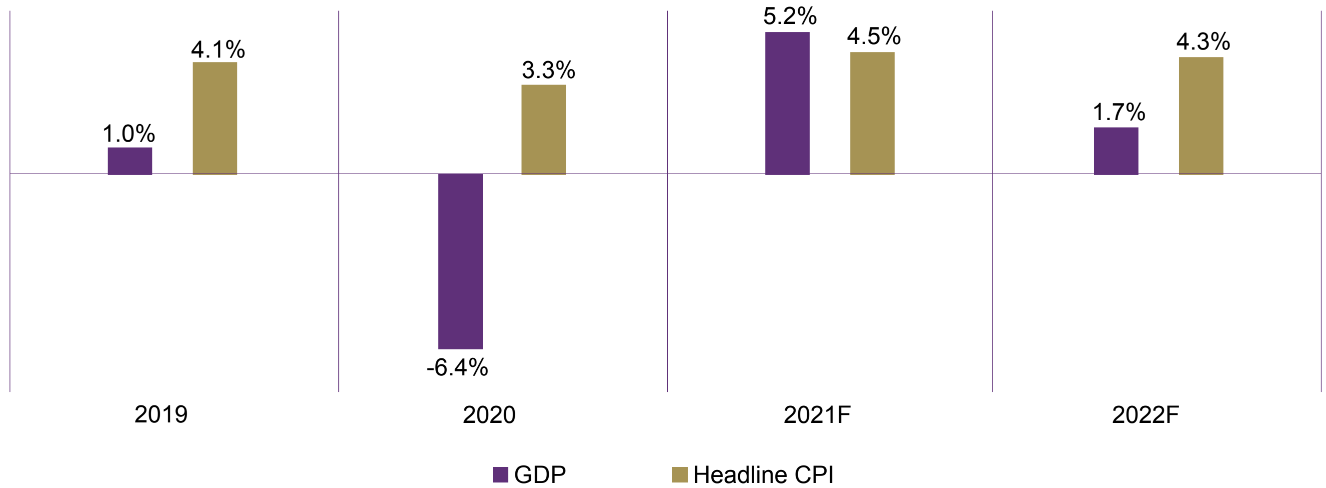
OVERVIEW OF MACROECONOMIC AND INDUSTRY DEVELOPMENTS

Economic performance, both globally and domestically, improved in 2021 compared with 2020, mainly driven by improvements in COVID-19 vaccination roll-outs and the resumption of economic activities. The global economy is estimated to have grown by 5.9 percent in 2021, compared to a contraction of about 3.1 percent in 2020 and expected to moderate to 4.4 percent in 2022 (World Economic Outlook, January 2022). Global economic growth was predominantly reflected in growth in Advanced Economies, where economic activity became less constrained on the back of relaxation of pandemic-related lockdowns following expansive vaccine coverage which subsequently improved economic activity. Global inflation continued to rise on the back of high food and energy prices owing to recovering demand and supply bottlenecks. Central banks in major economies maintained broadly accommodative monetary policies to support economic recovery, while Emerging and Developing Economies' central banks increased their interest rates to mitigate high inflation expectations. Despite the observed improvement in economic activity, downside risks such as continued Covid-19 flare-ups and possible tightening of the financial conditions as well as geopolitical tensions remain.

The South African economy showed resilience, registering consecutive quarters of growth. It expanded by 4.2 percent and 4.7 percent, respectively, in the first and second quarters of 2021, before contracting by 1.5 percent in the third quarter. Growth in the first six months of 2021 was supported by, inter alia, better global economic growth, progress in the speed and scale of the vaccination roll-out, robust domestic terms of trade, and high export commodity prices. Conversely, pressures of more stringent Covid-19 lockdown restrictions, coupled with a spate of civil disorder events, detracted growth in the second half of the year.

The South African Reserve Bank (SARB) revised its yearly GDP outlook downwards. Growth was revised to 1.7 percent (from 2.3 percent) for 2022 reflecting expectations of diminishing export commodity prices, slow domestic household consumption and ongoing energy supply constraints in the medium term (Figure 1). On the other hand, inflation has been reassessed on the upside, revising its headline consumer price inflation forecasts marginally upwards to 4.3 percent in 2022 (from 4.2 percent). This adjustment reflects risks in global producer price and consumer price inflation, higher domestic import tariffs, and escalating domestic wage demands.

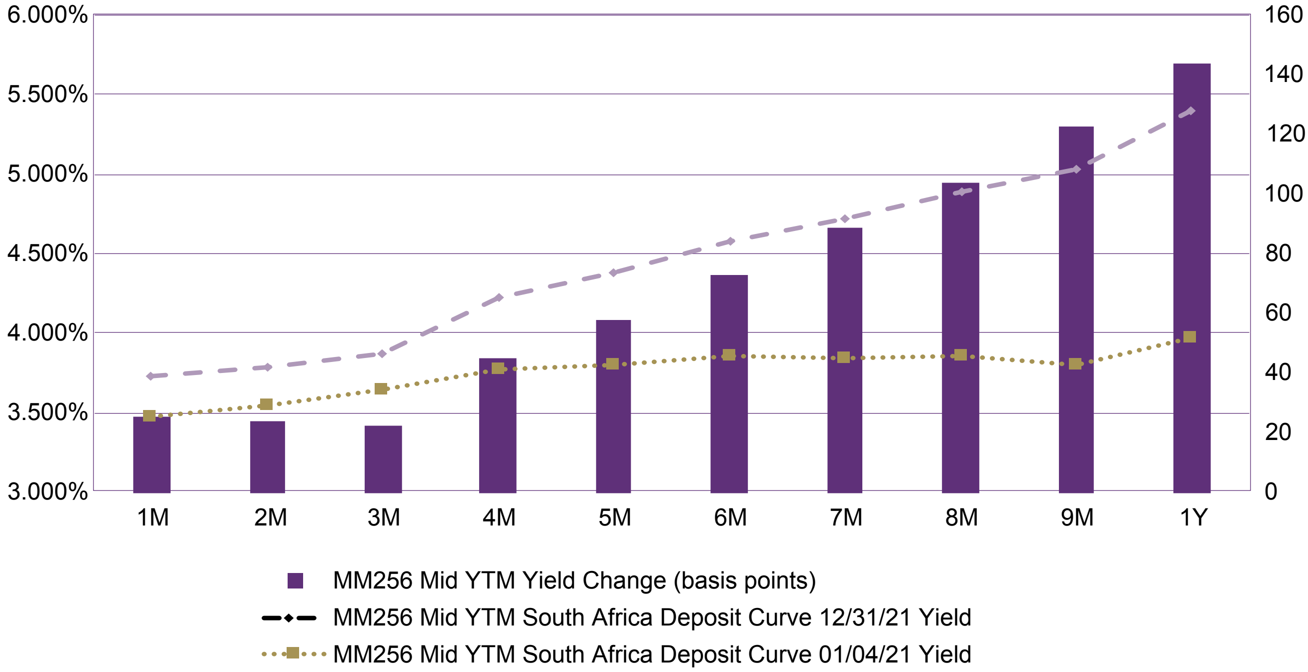
Figure 1: South Africa GDP and headline inflation



On the monetary front, the SARB Monetary Policy Committee maintained its repo rate at a historical low of 3.5 percent for most of 2021 to support economic recovery and enhance financial conditions for credit demand. It, however, increased the rate by 25 basis points during November 2021 in response to rising inflation. Further guidance by the SARB in its Quarterly Projection Model suggested a gradual and data-dependent increase in the repo rate to 4.75 percent and 5.75 percent in 2022 and 2023, respectively.

The South African deposit curve, which is a proxy for the South African money market, steepened earlier in the year (Figure 2). The rise was driven by a normalisation in liquidity conditions as the SARB sought to reverse some of the emergency liquidity support provided in 2020, at the height of the COVID-19 crisis. The curve steepened further owing to the 25-basis-point hike in November 2021. The curve is expected to steepen further in 2022 to reflect hawkish market and SARB sentiment that interest rate normalization will accelerate around the world as fears of higher inflation remains, Covid-19 is better handled, and economies open more.

Figure 2: South Africa – Deposit curves



YTM – yield to maturity.

With regard to domestic developments, the Namibian economy recovered in 2021, mainly attributed to the growth in the primary and tertiary industries. Preliminary estimates by the Namibia Statistics Agency indicate that real Gross Domestic Product (GDP) grew by 2.4 percent in 2021 compared with a contraction of 7.9 percent in the previous year. The economy is further expected to accelerate to 3.4 percent in 2022 (Bank of Namibia, Economic Outlook, February 2022). Improvements in the primary and tertiary industries were attributed to a recovery in the production of diamonds and uranium, coupled with positive real value addition in the wholesale and retail trade, hotels and restaurants, information and communication, and public administration. This observed recovery was mainly ascribed to base effects, following the severe and necessary restrictive measures imposed in 2020 to contain the COVID-19 pandemic. However, the secondary industry registered a contraction in 2021, which was due to a decline in the construction, as well as the electricity and water sectors.

The banking industry held adequate levels of capital and liquid assets and remained profitable in 2021, despite the persistent deterioration in asset quality. The return on equity for the sector stood at 13.9 percent by the end of December 2021, an increase from 10.9 percent at the end of 2020. The capital adequacy of the banking industry stood at 15.7 percent in 2021, an increase from the 15.2 percent registered in 2020, and higher than the statutory minimum requirement of 11.0 percent of risk-weighted assets. The non-performing loan (NPL) ratio moderated to 6.40 percent during 2021, from 6.44 percent in 2020. At this level, NPLs exceeded the crisis benchmark of 6.0 percent. The increase in the NPL ratio over the past three years has been driven by the continued pressure on household and business income owing to the COVID-19 pandemic.

The banking industry maintained strong liquidity levels despite subdued demand for credit. The industry liquidity ratio stood at 18.3 percent at the end of 2021, higher than the 15.7 percent registered at the end of December 2021, and well above the prudential requirement of 10.0 percent of average total liabilities to the public. The liquidity position increased largely due to the weak demand for credit from both households and firms. Despite operating in harsh economic conditions owing to depressed economic activities, the banking industry reported growth in the balance sheet. A year-on-year comparison indicates growth in the banking industry's total assets of 2.8 percent during 2021, while the growth during 2020 was just 1.3 percent.

FUND PERFORMANCE AND OPERATIONS

Over the reporting year, the premiums received from member institutions were invested in line with the Investment Policy and Investment Agreement signed between the NDGA and the Bank of Namibia. As at 31 December 2021, the market value of the Deposit Guarantee Fund stood at N$10,259,574 (N$4,902,924: 31 December 2020). The growth in the Fund value was primarily attributable to N$5,079,150 in member institution premiums paid in July 2021. Detailed information on income and flows into the fund are presented in Table 1.

Table 1: Portfolio income and market value

Size (N$) 31 Dec. 2020	Interest income (1Q21)	Interest income (2Q21)	Interest income (3Q21)	Interest income (4Q21)	Total income	Contri-butions	Size (N$) 31 Dec. 2021
4,902,924	45,361	45,102	91,668	96,413	278,544	5,079,150	10,259,574

Fund performance versus benchmark

In every quarter since its inception in October 2020, the Deposit Guarantee Fund has consistently outperformed its benchmark, the South African three-month STeFNI Index, returning 4.5 percent against the benchmark return of 4.2 percent (Table 2). Due to the relatively small size of the portfolio, the Fund's investments remained on a SARB call account in 2021.

Table 2: Fund performance, 2021

	Q1	Q2	Q3	Q4	31 Dec. 2020 to 31 Dec. 2021	Since October 2020 inception
Portfolio	0.924%	0.912%	0.927%	0.949%	3.764%	4.518%
Benchmark	0.843%	0.858%	0.891%	0.895%	3.533%	4.206%
Excess (basis points)	8.11	5.37	3.59	5.34	23.02	31.15

The Fund generated an annual return of 3.76 percent during the reporting year alone, which was ahead of the benchmark return of 3.53 percent by 23.03 basis points. The healthy gain was due to attractive rates earned on the SARB call account, which typically yields returns that are higher than those for three-month deposits. As the SARB embarks on a rate-hiking cycle, the Fund's yield is expected to increase, given that most of the cash and cash-equivalent instruments reference the repo rate.

Figure 3: Historical performance

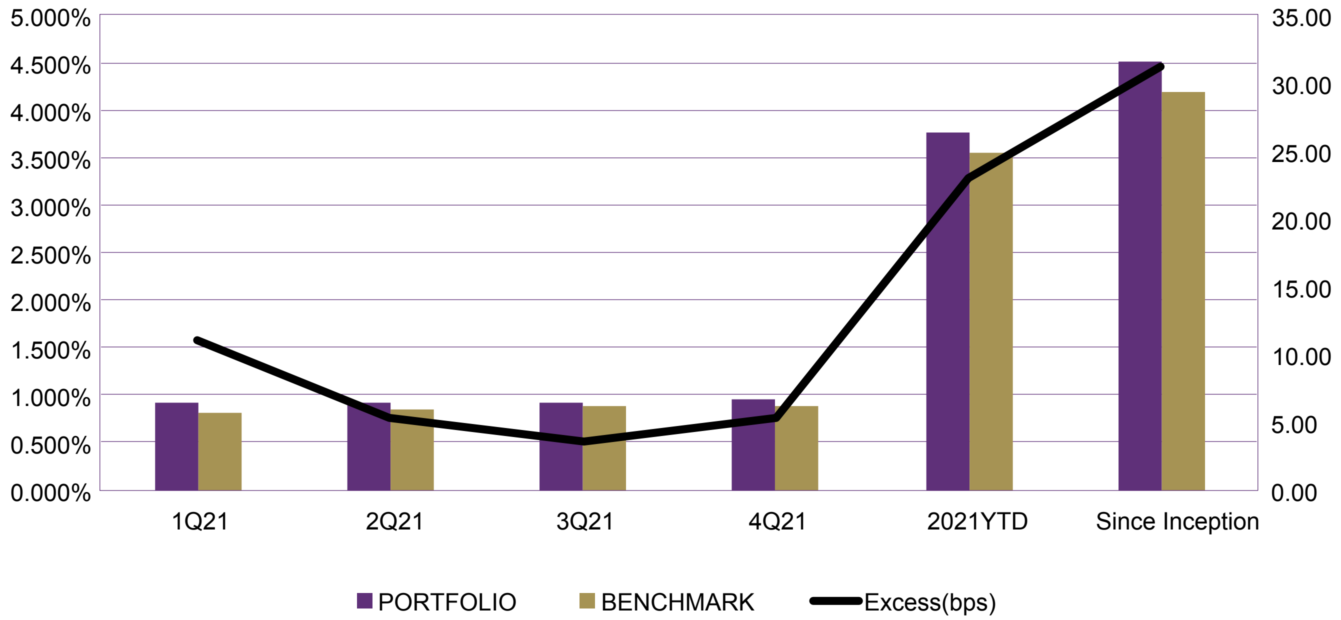
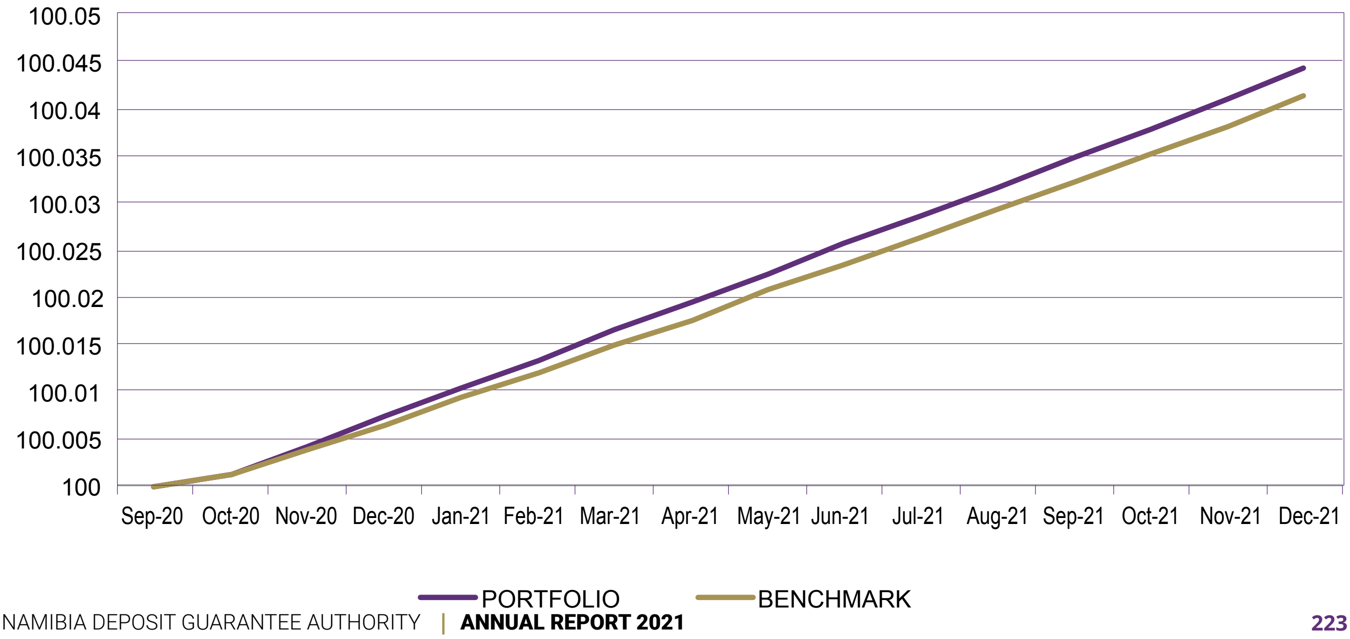


Figure 4: Cumulative performance



Risk categories

Determination of risk categories for member institutions

Premiums payable to the Deposit Guarantee Scheme by member institutions are based on their respective individual risk profiles. The Determination on the premiums payable per risk category and the rate of interest payable on outstanding payments (DGD-6) gazetted on 1 April 2020 specifies the premiums for the various risk categories as follows:

- Category 1: 8 basis points
- Category 2: 16 basis points
- Category 3: 32 basis points
- Category 4: 64 basis points

The Determination further specifies that all member institutions are in the same category (Category 1) until the end of 2021. This measure allows members enough time to prepare for the differentiated risk-based premium structure that will penalise bad and reward good risk management. From 2022 onwards, all premiums payable by the various individual member institutions will be risk-based.

During 2021, the risk categories for member institutions were calculated using data provided by the Banking Supervision Department of the Bank of Namibia in line with the Memorandum of Agreement on information sharing entered into by the NDGA and the Bank. The data is based on the following six variables: capital adequacy ratio, liquid asset ratio, asset quality (NPL ratio), deposit concentration, profitability (ROE) and supervisory assessment. These are all relevant variables that would provide an indication on the performance and governance of a particular member institution as well as the risk profile of such an entity. The average ratios of four quarters (Q3 of 2020, Q4 of 2020, Q1 of 2021 and Q2 of 2021) were applied on the risk scores and assigned weights of the selected variables in order to determine the risk categories. The need to look at the four quarters is primarily to incorporate a trend or performance over a longer period as opposed to relying on a single point. This trend analysis would also eliminate the effect of a single internal or external factor. The Categories were determined and communicated to the respective member institutions in October 2021. These categories will be used in the calculations of the annual premiums payable in 2022.

Policy on the provision for non-audit services by the External Auditors

As prescribed in the Corporate Governance Code for Namibia (NamCode) principles, the NDGA as a corporate body, requires both audit and non-audit services from its External Auditors. To this end, the Authority developed a policy on the rendering of non-audit services. The purpose of the subsequent Policy on the Provision for Non-audit Services by the External Auditors is to ensure that the procedures set out for such services enable the Audit, Risk and Investment Committee to fulfil its responsibility of safeguarding against the loss of External Auditor independence. The Policy is based on the principle that an auditor must be, and must be seen to be, independent, i.e. in fact and appearance. The Policy was developed and approved by the Board at its meeting in November 2021.

Board and Committee meetings

As provided for under section 6 of the Act, the NDGA is managed by a Board of Directors. The Board's main function is to provide policy direction and guidance to the Authority and to advise the Minister of Finance accordingly. The NDGA Act also provides for the Board to establish Committees to assist it in carrying out its functions. To this end, an Audit, Risk and Investment Committee was created to review related policies and advise the Board on issues pertaining to audit, risk and investment per the NamCode.

During the review period, all scheduled Board meetings were held. The Board meets at least four times a year with the main purpose of overseeing and monitoring the Authority's policies operations and finances, as well as the performance of the Deposit Guarantee Fund. During 2021, four ordinary Board meetings were held. Table 3 sets out the dates and attendance of these meetings.

Table 3: Attendance of Board meetings, 2021

Board Member	19 March	18 June	17 September	19 November
Mr Ebson Uanguta (Chairperson)	✓	✓	✓	✓
Mrs Linda Dumba Chicalu (Deputy Chairperson)	✓	✓	✓	✓
Mr Festus Nghifenwa	✓	✓	✓	✓
Mr Kenneth Matomola	✓	✓	✓	✓
Mr Herman Shilongo	N/A	N/A	N/A	✓
Mr Ulrich Eiseb	✓	D	D	D
Dr Emma Haiyambo (Ex officio)	✓	x	✓	✓

N/A – Member was only appointed during the last quarter of 2021.

D – Deceased

Similarly, the Audit, Risk and Investment Committee ordinarily meets four times a year. This Committee was established by the Board to assist it in implementing effective policy and to plan for risk management and internal control models that enhance the Authority's ability to achieve its strategic objectives and ensure its sustainability. During the year under review, five Committee meetings were held. Table 4 sets out the dates and attendance of these meetings.

Table 4: Attendance of Audit, Risk and Investment Committee meetings, 2021

Committee Member	5 March	17 March (Special Meeting)	4 June	3 September	5 November
Ms Linda Dumba Chicalu	✓	✓	✓	✓	✓
Mr Festus Nghifenwa	✓	✓	✓	✓	✓
Mr Ulrich Eiseb (Chairperson)	✓	✓	D	D	D

D – Deceased

STAKEHOLDER ENGAGEMENT

The effective engagement of key stakeholders is an important strategic objective of the NDGA. Information on relevant aspects of the Authority and the Scheme is disseminated through constant engagement with such stakeholders. Such activities were particularly relevant in 2021 in respect of the Authority's official launch and the issuing of its first Annual Report and Annual Financial Statements. The launch event, which took place on 22 April 2021, was attended by invited Members of Parliament, the Managing Directors and other representatives of member institutions, the media and the public. During the event, materials such as posters and brochures with information concerning the Authority and the Scheme were disseminated. These materials were also disseminated in various Regions, including Kavango East, Kavango West, Oshikoto and Oshana. Further regional distributions of such information will be undertaken in 2022. Moreover, the development of the NDGA website reached an advanced stage during the review period. This will be an effective communication platform where stakeholders can access information on the NDGA and its Deposit Guarantee Scheme and can interact with Authority representatives.

Bank of Namibia

PAN
PAYMENTS ASSOCIATION OF NAMIBIA

Namibia National Payment System Vision and Strategy 2021 - 2025

Acronyms

2D	Two Dimensional
API	Aplication Programming Interface
BAN	Bankers Association of Namibia
BON	Bank of Namibia
CBDC	Central Bank Digital Currency
CMA	Common Monetary Area
Digital ID	Digital Identification
DLT	Distributed Ledger Technology
EFT	Electronic Funds Transfer
FIC	Financial Intelligence Centre
G2P	Government to Person Payments
ICT	Information and Communication Technology
ISO	International Organization for Standardization
MICT	Ministry of Information and Communication and Technology
NAMFISA	Namibia Financial Institutions Supervisory Authority
NFC	Near Field Communication
P2G	Person to Government Payments
PAN	Payments Association of Namibia
PMC	Payments Association Of Namibia Management Council
QR	Quick Response
RCSO	Regional Clearing and Settlement Operator
RegTech	Regulatory Technology
RPO	Recovery Point Objective
RTO	Recovery Time Objective
SADC RTGS	Southern Africa Development Community Real Time Gross Settlement
TCIB	Transfers Cleared on an Immediate Basis

Deputy Governor's Foreword

The National Payment System (NPS) is paramount in supporting Namibia's economic growth and development. The modernisation of a NPS is a continuous process and we continue to witness rapid accelerations in fundamental reforms in national payment systems worldwide, and Namibia is no exception. Continually re-forming Namibia's payments ecosystem is crucial to ensuring that the country is aligned to best practice and positions itself as a world-class NPS.

The NPS Vision 2020 five-year (2016 -2020) strategic period included a number of activities and events of a novel and pioneering nature. We have also witnessed the growth of the NPS through the access and participation of new players such as banks, non-banks and payment service providers, further advancing competition and altering the payments landscape.

Other key strategic milestones achieved in the past five-year period are listed below:

- The successful phasing out of cheques and the complete decommissioning of the cheque infrastructure. The phasing out of cheques further supports the move towards digital payments;
- The issuance of the *Position Paper on Interoperability in the National Payment System by the Bank of Namibia*;
- The establishment of the PAN Electronic Money (e-money) Forum to enhance the inclusiveness and access to the NPS as well as to enhance interoperability in the NPS;

- The adoption and ongoing improvements of payments security standards such as EuroPay, MasterCard and Visa (EMV), Payment Card Industry Data Security Standards (PCI DSS) and the Society for Worldwide Interbank Financial Telecommunications (SWIFT) Customer Security Programme (CSP) to enhance the security and safety of payments infrastructure and products;

- The revision of Namclear's governance, funding and ownership model and the adoption thereof, to enable fair representation and access for all system participants;

- Advancements in the regulatory environment through the issuance of regulations and position papers such as the *Guidelines for Payments Intermediation Service Providers in the National Payment System*; the *Determination on Issuing of Electronic Money in Namibia (PSD-3);* the *Determination on the Standards for a Basic Bank Account and Cash Deposit Fees within the National Payment System (PSD-5);* the *Determination on Standards for Fees and Charges for Payment System Services within the National Payment System (PSD-10);* the *Position on Distributed Ledger Technologies and Virtual Currencies in Namibia* and the *Starterpack for Participation in SADC Low Value Credit Transfers Cleared on an Immediate Basis (TCIB) Scheme for Namibian Participants.*

For the previous vision's five-year period, 2020 stands out in dramatic contrast to the years before it. With the global COVID-19 pandemic, 2020 certainly had a significant and widespread effect on both domestic and global payments. The pandemic's striking and lasting impact accelerated the pace of change and existing trends in the payments industry. For Namibia, despite the challenges presented in this regard, the payments industry demonstrated resilience and unwavering focus to ensure continuation in the provision of payments services through an unprecedent and very trying time. This is a true testament to not only the robustness of the payments infrastructure and operations of the NPS , but also the determination of the hard working individuals behind the scenes.

Another cause for celebration is the delivery of the flagship project, NamPay, by the banking industry which is set to be fully functional in 2021. NamPay is a new domestic EFT system introduced by the Namibian payments industry in collaboration with the Payments Association of Namibia (PAN) and payment service providers to enhance the efficiency of EFT transactions in Namibia across the debit and credit payment streams. The project was introduced in response to the Bank of Namibia's (BON) regulation, the ***Determination on the Efficiency of the National Payment System (PSD-7).***

The revolutionary NamPay system brings about major enhancements to how EFT transactions are conducted in Namibia. NamPay will replace the existing EFT system with a system that uses an internationally recognised messaging standard, ISO 20022. A system based on such a standard is harmonious and can be enhanced with emerging and future technologies on a global scale, thus making NamPay scalable for future development.

The field of payments is a fascinating one, not just for the industry, but also for the central bank. Digitalisation and the proliferation of mobile internet services continue to transform the way we trade and transfer value. New applications and technologies promise ever faster and more accessible payment options via mobile devices. As such, as we look forward to the future, the entire payments ecosystem is set to undergo profound change.

The newly formulated National Payment System Vision and Strategy 2021-2025 (the Vision) seeks to embrace these changes and to continue to advance our ecosystem to be an internationally reputable NPS, safeguarding the interests of all stakeholders in support of Vision 2030 and beyond.

Mr Ebson Uanguta
Deputy Governor
Bank of Namibia

1. Executive Summary

The NPS mandate is derived from the Payment System Management Act, 2003 (Act No. 18 of 2003), as amended: "to ensure the safe, secure, efficient and cost-effective operation of the National Payment System."

To execute this broad mandate, collaboration, participation and investment from all stakeholders are required. Through the efforts of the core stakeholders, which include the banking institutions, non-bank financial institutions, payment service providers, and non-bank e-money issuers, the NPS has developed and improved significantly.

The aspirational and positioning statements have been revised to encompass the Vision, as underpinned by the National Vision 2030. Payment systems are undergoing significant changes, driven by technological advancements and the evolution of customer needs as highlighted under the Payment System Megatrends section of this report. The list of the identified guiding principles, derived from the global megatrends are in support of an enabling NPS. The said principles serve as the foundation of the Vision so that the appropriate outcomes can be achieved in the payments ecosystem.

The industry derived four strategic themes from the contextual and operating environment of the NPS, which include Funding and Governance, Collaboration for Ecosystem Resilience, Consumer-Centric Innovation and Human Resource Capacity Development.

These strategic themes are underscored by Financial, Stakeholder, Process and Resource Perspectives. Building on the strategic themes, the industry constructed supporting strategic goals, which are expanded to key success indicators and strategic initiatives for the Vision.

The collective effort and commitment towards the atainment of the Vision by all relevant stakeholders sets the country in a position where it can accommodate a rapidly evolving payment ecosystem for the benefit of the Namibian nation.

2. Payment System Megatrends

Consideration was given to global payment systems megatrends and their relevance to Namibia. These are summarised below:

01	**Digital Acceleration** Accelerated pace of digitisation of economies.
02	**Open Banking** Open banking and sharing of infrastructure for joint access to consumer information through APIs.
03	**Stakeholder Collaboration** Increased collaboration between banks and non-banks / Fintechs in the payments ecosystem.
04	**Financial Inclusion** Financial inclusion and the increased inclusion of non and underbanked consumers into the NPS.
05	**Regulatory Technology** The adoption of RegTech.
06	**Common Standards** The adoption of common standards for payment solutions.
07	**Value-added Services** Value-added services for consumers, and the increase in rewards and incentives as part of the evolution of the payments ecosystem.
08	**Payments Fraud** The proliferation of cybercrime and payments fraud.

3. NPS Aspirational and Positioning Statements

Mandate	To ensure the safe, secure, efficient and effective operation of the National Payment System.
Vision	A world-class National Payment System at the forefront of digital innovation and transformation, facilitating economic activity in support of Vision 2030.
Mission	To ensure an accessible, efficient and secure National Payment System through stakeholder collaboration and the adherence to appropriate payments system standards.

Core Values

01	**Collaboration** We embrace multiple perspectives from diverse stakeholder voices to achieve synergy.
02	**Integrity** We uphold sound business ethics that safeguard the National Payment System at all times.
03	**Respect** We value and treasure the contribution from all stakeholders.
04	**Transparency** We share relevant information freely and accept responsibility for our actions.
05	**Fairness** We are consistent and even-handed in our application of policies, procedures, regulations and rules.
06	**Innovation** We are proactive in sourcing ideas and solutions that propel the National Payment System.
07	**Excellence** We pursue perfection in everything we do.

4. Strategic Themes

The strategic themes constructed below stem from the contextual and operating environment of the NPS:

Theme 1: Funding and Governance

1. Influence and contribute towards the development and maintenance of legislation, regulations and appropriate standards for the NPS.
2. Ensure appropriate funding and management of NPS projects.
3. Enhance risk management practices concerning cyber security, payments fraud and crime.

Theme 2: Collaboration

4. Facilitate and promote collabotation between NPS stakeholders.
5. Leverage Vision 2030 and other national development priorities to enhance the NPS.
6. Enhance cross-border collaboration.

Theme 3: Consumer-Centric Innovation

7	Deepen understanding of changing consumer needs for payment system priorities.
8	Support and promote innovative and transformative payment solutions.

Theme 4: Human Resource Capacity Development

9	Ensure appropriate human resource capability.

5. Principles in Support of an Enabling National Payment System

The list below identifies guiding principles derived from the global megatrends in support of an enabling NPS. The principles are formulated at an industry level reflecting a higher intent.

These principles are the foundation for the Vision and for achieving the appropriate outcomes in the next five years. Furthermore, these principles will guide the behaviour of all stakeholders and the overall operation and functioning of the NPS.

Principle 1: Consumer Education and Financial Inclusion

This principle is concerned with driving digital technology adoption rates and unlocking the potential of the informal sector, which in turn will propel broad-based economic advancement for Namibia.

Principle 2: Access, Transparency and Inclusivity

This principle is concerned with the governing processes that allow for the efficient access to and participation in the NPS, which should be open through accurate interpretation and application of rules and regulations. This ultimately creates inclusivity, equality and a level playing field for current and future participants in the payments ecosystem.

Principle 3: Digitised Economy

National digitised strategies and efforts are essential for the adoption and growth of the digital payments ecosystem.

Principle 4: Stakeholder Collaboration

Collaboration between payment service providers, non-banks, banks, financial market infrastructures and regulators to influence legislation, regulations, industry policy and rules, is paramount for an effective NPS.

Principle 5: Interoperability

This principle speaks to the importance of integrating payment solutions to achieve high levels of interoperability within and across payment products and streams. This in turn supports the growth of the payment ecosystem and promotes financial inclusion.

Principle 6: Digital Payments

This principle is concerned with the proliferation of the concept of cash-lite societies, targeted towards efficient and affordable digital payments.

Principle 7: Consumer Trust

Consumer trust is driven by a combination of the following elements of the NPS: safety, security, reliability and stability. This trust is further maintained by proactively and appropriately adhering to regulations, standards and international best practices.

Principle 8: Cross-Border Collaboration

Payments ecosystem collaboration beyond the borders of Namibia among banks, non-banks and FinTech's are enabled through relevant legislation and regulations.

Principle 9: Innovation

Consumer-centric payment systems innovations are essential for a viable future for the NPS.

Principle 10: Skills and Capabilities

The continuous development of local knowledge, capabilities and skills in the payments ecosystem is essential for the sustainability of the NPS.

Principle 11: Efficiency of Payment Systems

Consumer needs drive the deployment of real-time payment systems capabilities and other payment solutions, rather than a technology push approach.

6. Situation Analysis: SWOT

The NPS stakeholders conducted an in-depth strategic analysis of the internal and external environments pertaining to the NPS, which analysis provides baseline data for the crafting of the strategic objectives for the next five years.

Internal Resource Strengths

1. Modern payment clearing and settlement systems.
2. Sound legal foundation for the NPS.
3. High level of compliance to NPS laws and regulations by the stakeholders.
4. Positive stakeholder collaboration, co-opetition and consultation in the payments ecosystem.
5. Recognition of and inclusive decision making with the non-banking sector.
6. Strong self-regulatory environment and equal access to NPS.
7. Real-time clearing for the current interbank streams.
8. Strong local knowledge base and experience in payments.

Internal Resource Weakness

1. Inadequate funding of industry projects and initiatives.
2. Local payment switch not adequately aligned with global standards.
3. Limited number of individuals with appropriate industry knowledge and experience to participate in the numerous industry forums and technical projects.
4. Inefficient industry project management practices in terms of governance processes and transparency.

5. Pockets of low interoperability: fleet products, e-money etc.

6. Lack of incubation hubs for innovation in the NPS.

7. Minimal collaboration between global payments leaders and local industry for new offerings.

8. Challenges pertaining to the interdependencies of NPS projects on other legislation, systems and policies.

9. Lack of balance between independence and conflict of interest in the PMC and industry forums.

External Market and Industry Opportunities

1. Digital innovation opportunities in the payments ecosystem (e.g e-money, QR, 2D, Tap-and-Go, NFC, biometric, cash-out with and without purchase etc.).

2. Availability of a digital ID for all people based on global best practices.

3. Changing needs of payment system users (e.g. accessibility, affordability, convenience, safety etc.).

4. Convergence of various elements of the NPS.

5. Proliferation of cryptocurrency opportunities (e.g. Blockchain, DLT, CBDC etc.).

6. National Development Plan (NDP) ICT rollout and infrastructure development opportunities.

7. Political and economic stability for sound financial sector services.

8. SADC regional payment systems collaboration (e.g. SADC RTGS, RCSO etc.).

9. Open payment systems (e.g. open banking, APIs).

10. International partnerships with institutions that offer payment systems education and exchange programs with best-in-class payment system organisations.

11. Utilisation of big data in the payments ecosystem.

External Market and Industry Threats

1. Increase in cyber security threats.
2. Effects of global pandemics (e.g. Covid-19).
3. Over-regulation of financial sector impacting on the NPS, with the need for fit-for-purpose guidelines for different stakeholders.
4. Social media's ability to influence consumer patterns and perspectives.
5. Emergence of unregulated crypto currencies (e.g. Bitcoin) impacting the clearing and settlement value chain.
6. Big Data's invasion on consumer privacy.
7. Scale of the economy which limits the benefits to NPS participants due to a small consumer base.
8. Unregulated access to NPS threatens the stability of the banking infrastructure.
9. Namibia not prioritised by payment system multinationals as a development partner.
10. Impact of negative developments in other SADC countries.
11. Drought and weather patterns which drive consumer sentiment.

7. Strategy Map, National Payment System Strategic Themes and Strategic Goals

Strategy Map	Financial Perspective	Stakeholder Perspective	Process Perspective	Resource Perspective
Strategic Themes	**Funding and Governance**	**Collaboration for Ecosystem Resilience**	**Consumer - Centric Innovation**	**Human Resource Capacity Development**
Strategic Goals to Support NPS Viability	1. Influence and contribute towards the development and maintenance of legislation, regulations and appropriate standards for the NPS. 2. Ensure appropriate funding and management of NPS projects. 3. Enhance risk management practices concerning cybersecurity, payments fraud and crime.	4. Facilitate and promote collaboration between NPS stakeholders. 5. Leverage Vision 2030 and other national development priorities to enhance the NPS. 6. Enhance cross-border collaboration.	7. Deepen understanding of changing consumer needs for payment system priorities. 8. Support and promote innovative and transformative payment solutions.	9. Ensure appropriate human resource capability.

8. Strategic Positioning and Strategy Execution

Below are the strategic themes and goals, key success indicators and strategic initiatives that will serve as focus areas for the NPS industry and stakeholders:

Strategic Theme and Goal	Key Success Indicators	Key Strategic Initiatives
NPS Funding and Governance **1. Influence and contribute towards the development and maintenance of legislation, regulations and appropriate standards for the NPS.**	1. Enabling legislative and regulatory environment. 2. Fair and transparent policies. 3. Change to a new governance model by mid-year 2021. 4. Majority of Namibians substantially increasing the use of a digital alternative to cash, year on year. 5. 100% interoperability across the payment streams by 2025.	1. Implementat an approved governance model for the NPS. 2. Revision or introduction of legislation and regulations to enable new NPS services and products. 3. Adopt appropriate payment industry standards based on international best practices. 4. Ensure progress in the implementation of the BON position paper on interoperability in the NPS. 5. PAN to influence policy that affects the NPS.

Strategic Theme and Goal	Key Success Indicators	Key Strategic Initiatives
NPS Funding and Governance		
2. Ensure appropriate funding and management of NPS projects.	1. Conversion of PAN's and the NPS projects' current funding models to one that is fee-based by 2025. 2. Adherence to the NPS Project Management Framework. 3. Percentage, on an annual basis, of projects that are completed (a) on-time; and (b) within budget.	1. Implement a new funding model for the NPS and PAN. 2. Improve the performance around the management of NPS projects. 3. Obtain CEO-level and regulatory support for the prioritisation of NPS projects.

Strategic Theme and Goal	Key Success Indicators	Key Strategic Initiatives
NPS Funding and Governance		
3. Enhance risk management practices concerning cyber security, payments fraud and crime.	1. Reduction in the payments fraud to turnover ratio of less than 0.05%. 2. Increased prosecutions against perpetrators. 3. The number of successful and unsuccessful cyber-attacks detected. 4. Performance against RTO. 5. Level of compliance to the security standards set. 6. Maturity of cyber security posture of the NPS stakeholders.	1. Implement appropriate standards and desired maturity levels for cyber security, payments fraud and crime prevention for all participants in the NPS. 2. PAN to leverage representation on BAN IT Sub-Committee and BON Cyber Security Forum for capacity development purposes of all PAN members. 3. Establish a benchmark for improving operational performance for business continuity and disaster recovery e.g. RPO, RTO.

Strategic Theme and Goal	Key Success Indicators	Key Strategic Initiatives
NPS Collaboration		
4. Facilitate and promote collaboration between NPS stakeholders.	1. Depth and breadth of participation in the NPS through the PAN Stakeholder Forum. 2. Percentage, on an annual basis, of projects that are completed (a) on-time; and (b) in budget. 3. Zero disputes over the five-year period.	1. Implement an approved governance model for the NPS. 2. Expand inclusivity in terms of stakeholders' representative bodies e.g. consumers and retailers on PAN Stakeholder Forum. 3. Promote a culture of compliance to NPS standards, rules and project objectives based on a risk-based approach.

Strategic Theme and Goal	Key Success Indicators	Key Strategic Initiatives
NPS Collaboration **5. Leverage Vision 2030 and other national development priorities to enhance the NPS.**	1. NPS accessibility indicators. 2. Progress on NPS inclusion in Vision 2030 ICT rollout and digitisation action plans. 3. Influence on the enablement of digital ID rollout.	1. Engage and collaborate on industry platforms to define and set targets for accessibility indicators in the NPS in support of financial inclusion. 2. Participate in appropriate regulatory and stakeholder forums to collaborate on the achievement of national goals so as to enable appropriate infrastructure in support of the NPS e.g. ICT rollout and digital ID. 3. Participate in appropriate regulatory and stakeholder forums to collaborate on the streamlining of legislation impacting the NPS domain e.g. FIC, NAMFISA, MICT, Home Affairs legislation and regulations etc. 4. BON to collaborate with NPS stakeholders to assist and support digital payments to and from government through the NPS e.g. G2P, P2G payments etc.

Strategic Theme and Goal	Key Success Indicators	Key Strategic Initiatives
NPS Collaboration		
6. Enhance cross border collaboration.	1. Influence and contribution to the agenda of the SADC regional and international streams. 2. Participation in regional and international projects. 3. Alignment of the NPS interoperability to regional and international payment standards. 4. Affordable and efficient regional payment systems.	1. Foster relationships for regional participation and integration pertaining to cross-border, regional and continental payments for bank and non-banks. 2. Implement appropriate standards to address gaps in the NPS on cross-border payments in the CMA, in order to align to global best practices.

Strategic Theme and Goal	Key Success Indicators	Key Strategic Initiatives
NPS Consumer-Centric Innovation		
7. Deepen understanding of changing consumer needs for payment system priorities.	1. The adoption rate by consumers of new interoperable innovations. 2. Seamless consumer experience agnostic to the payment stream. 3. Enabling legislative and regulatory environment. 4. Achievement of real-time clearing. 5. Availabitlity of payment stream options for consumers. 6. 100% interoperability across the payment streams by 2025.	1. Use big data to gain knowledge of consumer behaviour so as to drive NPS innovation (all data used are open source and from multiple platforms). 2. Select NPS developments based on information from regular surveys that reflect consumer attitudes, needs, experiences and expectations of the NPS. 3. Participate in the development of the Consumer Protection Bill to create NPS consumer protection features.

Strategic Theme and Goal	Key Success Indicators	Key Strategic Initiatives
NPS Consumer-Centric Innovation		
8. Support and promote innovative and transformative payment solutions.	1. The adoption rate by consumers of new interoperable innovations. 2. Seamless consumer experience agnostic to the payment stream. 3. Enabling legislative and regulatory environment. 4. Achievement of real-time clearing. 5. Availabitlity of payment stream options for consumers. 6. 100% interoperability across the payment streams by 2025.	1. Adopt appropriate payment industry standards based on international best practices. 2. Ensure progress in the implementation on the BON position paper on interoperability in the NPS. 3. Improve the performance on the management of industry projects. 4. Investigate open banking, data sharing and the use of APIs to strengthen relationships between banks and non-banks to improve the customer experience. 5. Determine the scope for data sharing and data security within the current regulatory regime.

Strategic Theme and Goal	Key Success Indicators	Key Strategic Initiatives
NPS Human Resource Capacity Development		
9. Ensure appropriate human resource capability.	1. High-level consumer knowledge and awareness around payment system products. 2. High-level of consumer vigilance i.e. knowledge and awareness, around the avoidance of payment system crimes. 3. Index score on payment systems knowledge and skills.	1. Continue consumer awareness education pertaining to payment system crimes. 2. Collaborate with relevant bodies to tailor payments courses for Namibia.

We would like to thank the following stakeholders for their active participation and input during the deliberations that culminated in this document.

- ATM Solutions
- Banco ATLANTICO Europa Namibia Branch
- Bank BIC
- Bank of Namibia
- Bank Windhoek
- Collexia
- Direct Pay Online
- Easypay
- Ecentric Payment Services Namibia
- First National Bank
- Hyphen Namibia
- Letshego Bank
- Magnet Payment Solutions
- Mobipay
- Mobitek
- Namclear
- Nam-mic Payment Solutions
- Namibia Post Limited
- National Payment Solutions
- Nedbank Namibia
- Payat Payment Services
- PayM8
- Payments Association of Namibia
- PayToday
- Real Pay
- Standard Bank
- Trustco Bank
- Virtual Technology Services
- VIVO Energy Namibia

Mr Ebson Uanguta
Deputy Governor
Bank of Namibia

Dr Koos Keyser
Chairperson
Payments Association of Namibia

(iii) in the case of a transfer or other disposal of property in terms of subsection (1)(b), such property is vested in the transferee;

(c) upon receipt of a certified copy of the special resolution registered by the Registrar of Companies, the Registrar of Deeds must endorse the transfer of rights and obligations from the banking institutions or controlling company who have merged or become consolidated to the merged or consolidated banking institution or controlling company on every deed, bond, instrument or document registered in the Deeds Registry; and

(d) despite section 16 of the Deeds Registries Act, 1937 (Act 47 of 1937) and the date on which the transfer of such rights and obligations have been endorsed by the Registrar of Deeds, all such rights and obligations are transferred to the merged or a consolidated banking institution or controlling company on the date of registration of the special resolution by the Registrar of Companies.".

Amendment of section 55 of Act No. 2 of 1998

31. Section 55 of the principal Act is amended by the deletion of subparagraph (iii) of paragraph (b) of subsection (2).

Insertion of section 55A of Act No. 2 of 1998

32. The principal Act is amended by the insertion after section 55 of the following section:

"**Pyramid Schemes**

55A. (1) A person or banking institution may not conduct, permit or become involved in the conducting of, or the acceptance or obtaining of money, directly or indirectly, from members of the public, as a regular feature of a business practice, with the prospect of any of such members (hereinafter referred to as the "participating members") receiving payments or other money-related benefits, directly or indirectly –

(a) on or after the introduction of other members of the public to the business practice (hereinafter referred to as the "new participating members"), from which new participating members, in their turn, money is accepted or obtained, directly or indirectly, as a regular feature of the business practice, whether or not-

(i) the introduction of the new participating members is limited to their introduction by participating members or extends to the introduction of the new participating members by other persons; or

(ii) new participating members are required to acquire movable or immovable property, rights or services;

(b) on or after the promotion, transfer or change of status of the participating members or new participating members within the business practice; or

(c) from funds accepted or obtained from participating members or new participating members in terms of the business practice,

or the soliciting of, or advertising for, directly or indirectly, money or persons for introduction into or participation in a business practice in terms of the business practice referred to in this section, but does not include any activity of -

(i) the public sector, governmental or other institution; or

(ii) any person or category of persons, designated by the Minister, on the recommendation of the Bank, by notice in the *Gazette*, if such activity is performed in accordance with the conditions that the Minister may specify in the notice.

(2) A person who contravenes subsection (1) commits an offence and is liable to a fine prescribed by section 72(2)(a).".

Amendment of section 56 of Act No. 2 of 1998

33. Section 56 of the principal Act is amended –

(a) by the substitution for subparagraph (iii) of paragraph (a) of subsection (2) of the following subparagraph:

"(iii) subject to the Labour Act, [**1992 (Act 6 of 1992**)] 2007 (Act No. 7 of 2007), but [**notwithstanding**] despite any provision to the contrary –";

(b) by the substitution for subsection (4) of the following subsection:

"(4) [**An**] A director or an officer removed from office under subsection (2) [**shall**] ceases to hold the office from which he or she is so removed with effect from the date specified in the order made under that subsection, and [**shall**] after the date so specified -

(a) may not hold any office or participate in the affairs of - [**in the banking institution or in its affiliate or associate; and**]

(i) the banking institution from which he or she was removed;

(ii) any other banking institution; or

(iii) the controlling company; and